

32

VETERANS' BOND ACT OF 2000.

Official Title and Summary Prepared by the Attorney General

VETERANS' BOND ACT OF 2000.

- This act provides for a bond issue of five hundred million dollars (\$500,000,000) to provide farm and home aid for California veterans.
- Appropriates money from state General Fund to pay off bonds, if costs not offset by payments from participating veterans.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Costs of about \$858 million to pay off both the principal (\$500 million) and interest (about \$358 million) on the bonds; costs paid by participating veterans.
- Average payment for principal and interest of about \$34 million per year for 25 years.

Final Votes Cast by the Legislature on AB 2305 (Proposition 32)

Assembly:	Ayes 76	Noes 0
Senate:	Ayes 36	Noes 0

BACKGROUND

Since 1921, the voters have approved a total of about \$7.9 billion of general obligation bond sales to finance the veterans' farm and home purchase (Cal-Vet) program. As of July 2000, there was about \$270 million remaining from these funds.

The money from these bond sales is used by the Department of Veterans Affairs to purchase farms, homes, and mobile homes which are then resold to California veterans. Each participating veteran makes monthly payments to the department. These payments are in an amount sufficient to (1) reimburse the department for its costs in purchasing the farm, home, or mobile home; (2) cover all costs resulting from the sale of the bonds, including interest on the bonds; and (3) cover the costs of operating the program.

PROPOSAL

This measure authorizes the state to sell \$500 million in general obligation bonds for the Cal-Vet program. These bonds would provide sufficient funds for at least 2,500 additional veterans to receive loans.

FISCAL EFFECT

The bonds authorized by this measure would be paid off over a period of about 25 years. If the \$500 million in bonds were sold at an interest rate of 5.5 percent, the cost would be about \$858 million to pay off both the principal (\$500 million) and the interest (\$358 million). The average payment for principal and interest would be about \$34 million per year.

Throughout its history, the Cal-Vet program has been totally supported by the participating veterans, at no direct cost to the taxpayer. However, because general obligation bonds are backed by the state, if the payments made by those veterans participating in the program do not fully cover the amount owed on the bonds, the state's taxpayers would pay the difference.

For text of Proposition 32 see page 54.

32 VETERANS' BOND ACT OF 2000.

Argument in Favor of Proposition 32

The Cal-Vet Farm and Home Loan Program was established after World War I to help veterans in establishing livelihoods and homes following active military service to their country. Since then, more than 400,000 wartime veterans have been assisted by this self-supporting Program. The Program, which has earned the consistent support of voters for 79 years, is a working memorial to the veterans of California.

Voter-approved general obligation bonds finance the Program and are repaid by the veterans. Veteran loan holders are charged interest on their loans at the lowest rates that will cover all costs, including redemption of general obligation bonds, debt service, and all program administrative charges. The Program is operated entirely without cost to the California taxpayer.

To ensure that deserving California veterans receive the best possible service under the Cal-Vet Program, the Legislature recently directed the Department of Veterans Affairs, which administers the Program, to establish all systems, procedures, technologies and guidelines necessary to achieve efficient loan processing at a pace

competitive with private-sector services. The Governor, the Legislature, the Treasurer, and the California Veterans Board all actively oversee the Program.

The last Cal-Vet bond measure appeared on the 1996 ballot and received strong voter support. Proposition 32 is needed now to ensure that the Cal-Vet Program will be able to meet the future needs of veterans. The Legislature placed this act on the ballot, at the request of Governor Davis, with no negative votes, sending the measure to voters with a vote of 76–0 in the Assembly and 36–0 in the Senate.

We urge you to vote *FOR* Proposition 32, the Veterans' Bond Act of 2000. The success of this measure will enable California's wartime veterans to purchase farms and homes here with low interest rates and at no cost to you. Our veterans deserve no less.

ASSEMBLYMAN JOHN A. DUTRA, *Chair*
Assembly Committee on Veterans Affairs
SENATOR K. MAURICE JOHANNESSEN, *Chair*
Senate Committee on Veterans Affairs

Rebuttal to Argument in Favor of Proposition 32

PROPOSERS' CLAIM that the Cal-Vet loan program operates "*entirely without cost to the California taxpayer*" IS NOT TRUE.

Raising money by selling tax-free bonds results in a loss of revenue (from income on other possible investments that would be taxed) to both the *state* treasury and the *federal* treasury. This is explained in the main argument against Proposition 32 on the opposite page.

The question is whether continuing the Cal-Vet program is worth its high cost.

On this point, PROPOSERS' CLAIM that the program has assisted "*wartime veterans*" IS MISLEADING.

Most California veterans have not been able to obtain assistance through the Cal-Vet loan program precisely because the program is not limited to war "time" veterans, or persons who served in actual combat, or veterans who became disabled by serving in the military.

Even someone who stayed at home in the National Guard is a qualified "*veteran*" under the Cal-Vet loan program.

Presidential candidate *George W. Bush* of Texas, who joined in his state's "*Air*" National Guard instead of going to fight the War in Vietnam, is technically a "*veteran*." But would he deserve a subsidized home loan for such service?

Instead of funding another half-billion dollars in low-interest loans for the purchase of "*homes and farms*" for a relatively small number of persons in the broad category of "*veterans*," let's spend money on programs limited to the most deserving and needy people—such as persons who became disabled in military combat.

MELVIN L. EMERICH
Attorney at Law

Argument Against Proposition 32

In this measure, state legislators are proposing that the State of California sell a *half billion dollars* in bonds to be used by the Cal-Vet Home Loan Program.

While it is true that the lucky home buyers repay the bonds—principal and interest—the *program costs everyone else hundreds of millions of dollars in a way proponents never talk about.*

You see, government bonds are purchased by investors even though they yield a low rate of interest only because the interest earned is tax-free under both federal and state law.

When investors buy tax-free bonds instead of making tax-producing investments in the private sector, the federal and state governments lose money that would have been collected on taxable investment returns.

The amount lost approximates the difference between the rate of interest on government bonds and the rate of interest on secure, taxable investments.

So, the Cal-Vet Home Loan Program is actually quite expensive. If it were “free” as proponents have claimed

in the past, everyone could receive low interest loans from the government! We could have a “Cal-Resident Home Loan Program” for everyone. But, it does not work that way.

Now that you know how *the Cal-Vet Home Loan Program costs YOU hundreds of millions of dollars*, the question is whether the program is justified.

Here are the biggest problems we see:

(1) The program is not limited to veterans who served in combat.

Any California veteran may apply.

(2) Bureaucrats then decide which veterans get the homes and which do not.

Relatively few veterans end up benefiting from the program.

MELVIN L. EMERICH, *Co-chair*

Voter Information Alliance

GARY B. WESLEY, *Co-chair*

Voter Information Alliance

Rebuttal to Argument Against Proposition 32

The Cal-Vet Home Loan Program is California’s means of keeping the promise to honor those who served. Veterans using the Program are not simply “lucky home buyers”; they are individuals who have made sacrifices for State and Country.

The Cal-Vet Home Loan Program has no direct cost to taxpayers. It is true that the program is funded by the sale of tax-exempt bonds, but the investors purchase these bonds as a part of their tax-exempt strategies. If they did not purchase these bonds, which are used to benefit veterans and in turn to bolster California’s real estate industry, purchasers would find other tax-exempt investments that might not benefit California, or our veterans.

Contrary to the arguments against the Veterans Bond Act, the Program is fully justified:

1. The bonds in question are General Obligation Bonds. *These bonds can be used only by veterans who have wartime service and are purchasing homes in California.*

2. State and federal laws determine the use of tax-exempt bonds. Loans are underwritten, according to common industry practice, by the staff of the California Department of Veterans Affairs. More than 412,000 veterans have benefited from the Program since its inception in 1921.

HONORABLE GRAY DAVIS

Governor

ASSEMBLYMAN JOHN A. DUTRA, *Chair*

Assembly Committee on Veterans Affairs

SENATOR K. MAURICE JOHANNESSEN, *Chair*

Senate Committee on Veterans Affairs

33

LEGISLATURE. PARTICIPATION IN PUBLIC EMPLOYEES' RETIREMENT SYSTEM.

Legislative Constitutional Amendment.

Official Title and Summary Prepared by the Attorney General

LEGISLATURE. PARTICIPATION IN PUBLIC EMPLOYEES' RETIREMENT SYSTEM.

Legislative Constitutional Amendment.

- Amends Constitution to allow members of the California Legislature the option to participate in the Public Employees' Retirement System.
- Allows any person elected or serving in the Legislature on or after November 1, 1990 to participate in any state retirement plan in which a majority of the employees of the State may participate.
- Only the employer's share of the contribution necessary for participation in such state retirement plans will be paid by the State.
- Requires members of the Legislature to continue to participate in the Federal Social Security System.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Annual state costs under \$1 million to provide retirement benefits to legislators, with these costs replacing other spending from the fixed annual amount provided in support of the Legislature. No net impact on state spending.

Final Votes Cast by the Legislature on ACA 12 (Proposition 33)

Assembly:	Ayes 57	Noes 12
Senate:	Ayes 27	Noes 0

BACKGROUND

The California Legislature has 120 members—80 in the Assembly and 40 in the Senate. The State Constitution currently provides that:

- Salaries and benefits (other than retirement) of legislators are set annually by an independent commission.
- Retirement benefits for service in the Legislature are limited to participation in the federal Social Security system.

Prior to November 1990, legislators also participated in the state-run Legislators' Retirement System. Proposition 140, passed by the voters in November 1990, prohibited legislators from that time forward from earning any new retirement benefits (other than Social Security). Proposition 140 also established an annual "cap" on spending in support of the Legislature (for expenses such as legislator and staff salaries and other operating costs). The cap increases annually based on growth in the state's economy and population.

PROPOSAL

This proposition amends the State Constitution to allow legislators to participate in the state Public

Employees' Retirement System (PERS). This system provides retirement benefits to a majority of state government workers. A legislator choosing to participate in the plan would pay almost 5 percent of his or her salary to the system. In addition, the state would pay into the system in the same way it pays for its other employees. The state's contribution is determined each year by PERS and is paid as a percent of the employee's salary. These rates can vary significantly from year to year. For instance, the current PERS employer rate is zero (due to recent performance of PERS investments), but this rate is projected to increase to around 4.5 percent in 2001–02.

FISCAL EFFECT

The state cost to provide PERS retirement benefits to legislators would depend on (1) how many legislators choose to participate in PERS and (2) the annual employer PERS contribution rate. These costs, however, would be under \$1 million each year.

This expense would have to be paid out of the annual amount provided for support of the Legislature. As such, this proposition would not result in additional state costs, but would instead replace other types of spending in support of the Legislature.

33 LEGISLATURE. PARTICIPATION IN PUBLIC EMPLOYEES' RETIREMENT SYSTEM.

Legislative Constitutional Amendment.

Argument in Favor of Proposition 33

Most working people in their 30's or 40's have a retirement plan. They pay into that plan each month—and their employer puts some in too. And at age 65 they can retire with full benefits.

But what would happen if you lost six years of service toward your pension? You'd have to work an additional six years—and wait to retire until after you were 70.

That's exactly what people who run for state office are faced with. They are limited to six years of service in the Assembly or eight years in the State Senate—by term limits. But they are allowed no service time toward their pensions for the time they served in public office.

It's only fair that people who commit to public service are allowed to provide for their future.

PROPOSITION 33 WOULD TREAT STATE LAWMAKERS LIKE ALL OTHER PUBLIC EMPLOYEES.

It would allow Legislators to put aside some of their paycheck each month and have the State put some in too. No special deal. No special benefits. Just the same retirement plan available to the majority of state workers.

Nurses, Teachers, Firefighters, Farmers—people from these jobs can't retire on their investments, they need

pension plans. And if we don't treat lawmakers like every other public employee, then soon we'll only have candidates rich enough not to need pensions.

Taxpayer activists and term-limit supporters like People's Advocate, labor unions like the California School Employees Association and many other diverse groups in California agree that people should not be discouraged from seeking public office.

MAKE SURE ALL CALIFORNIANS—NOT JUST THE RICH—HAVE A FAIR OPPORTUNITY TO SERVE IN THE LEGISLATURE. VOTE YES ON PROPOSITION 33.

PETER SZEGO, *Chair*

State Legislative Committee

American Association of Retired Persons

ALLAN ZAREMBERG, *President*

California Chamber of Commerce

DAN TERRY, *President*

California Professional Firefighters

Rebuttal to Argument in Favor of Proposition 33

Proposition 33 is an attack on the reforms we enacted through Proposition 140.

Proposition 33 does not treat state lawmakers "like all other public employees", as claimed by the proponent's argument.

In analyzing this constitutional amendment, the State Department of Finance concluded: "This bill is inequitable since . . . legislators could become eligible for full retiree health benefits upon meeting a 10 year vesting requirement, while state employees could be required to work 20 years to earn the same benefit."

State Legislators are eligible for a \$99,000 salary and some reimbursement for living expenses. They should

use some of that to invest for their own retirement, rather than asking taxpayers to foot the bill.

Serving in the Legislature is a privilege and an honor. We do not need to entice people to run for office with promises of a taxpayer-paid luxury retirement.

Vote NO on Proposition 33.

RANDY THOMASSON, *Executive Director*

Campaign for California Families

RICK GANN, *Director of Legal Affairs*

Paul Gann's Spirit of 13 Committee

PETER F. SCHABARUM, *Co-Author*

Proposition 140

Argument Against Proposition 33

Career politicians are at it again!

In 1990 voters overwhelmingly enacted term limits and other landmark legislative reforms aimed at cutting the perks and breaking the influence of the career politicians.

Proposition 33 changes the Constitution to allow state legislators to participate in the Public Employees' Retirement System (PERS)—the very benefits we took away from them in 1990. *According to the Legislature's own analyst, if Proposition 33 passes, California taxpayers like you and us will be stuck paying increased general fund costs in retirement benefits for state legislators.* These taxpayer-paid benefits will come on top of Social Security and other retirement plans legislators may have.

Over the last ten years, state legislators have received raises to increase their pay by 90 percent—TO ALMOST \$100,000 A YEAR.

In addition to their salary, legislators are eligible to receive some reimbursement for their living expenses.

But for some, this is not enough. They want us—the taxpayers—to pay for their retirement as well. And they

want us to give this perk a protected place in our Constitution!

Legislators make a hefty salary. They can and should invest their money and plan for their retirement just like anybody else. Instead, they want special treatment—yet another perk that is not available to any citizen working in the private sector.

Don't be fooled. The fact is, Prop. 33 takes money out of your pocket and puts it into the pockets of the state politicians.

Protect your pocketbook and protect the important reforms you enacted in 1990.

VOTE NO ON 33.

ERNEST F. DYNDA, *President*

United Organizations of Taxpayers

LEWIS K. UHLER, *President*

National Tax Limitation Committee

Rebuttal to Argument Against Proposition 33

- Proposition 33 only allows members of the Legislature to participate in the same pension plan as every other state employee. No additional perks.

- Proposition 33 will require no additional state spending.

- Proposition 33 will require legislators to contribute to the pension plan from their own salaries, just like every other state employee.

- Proposition 33 is about fairness and about allowing everyone to serve in the Legislature, not just the rich.

In order to retire, working people must be able to save money during their prime working years.

Right now anyone who sets aside six or eight years of their life to leave their careers and serve in the Legislature is denied the option of saving for retirement. Without a pension, many people with families cannot afford to temporarily leave their careers to serve in the state Assembly or Senate. For many potential public servants

in their maximum-earning years, such a sacrifice imposes great burdens not only on themselves but on their spouses and children as well.

Thus, your neighbors and friends, school teachers, factory and high-tech workers, middle-income citizens of all types are effectively discouraged from running for office. That means we all forfeit our Legislature to rich or well-to-do Californians with substantial and secure financial means.

DR. WILLIAM CRIST, *President*

Board of Administration,

California Public Employees' Retirement System

BILL HAUCK, *Former Chairman*

California Constitution Revision Commission

MARK MUSCARDINI, *President*

California Association of Highway Patrolmen

34

CAMPAIGN CONTRIBUTIONS AND SPENDING. LIMITS. DISCLOSURE.

Legislative Initiative Amendment.

Official Title and Summary Prepared by the Attorney General**CAMPAIGN CONTRIBUTIONS AND SPENDING. LIMITS. DISCLOSURE.**

Legislative Initiative Amendment.

- Limits individual campaign contributions per election: state legislature, \$3,000; statewide elective office, \$5,000 (small contributor committees may double these limits); governor, \$20,000. Limits contributions to political parties/political committees for purpose of making contributions for support or defeat of candidates.
- Establishes voluntary spending limits, requires ballot pamphlet to list candidates who agree to limit campaign spending.
- Expands public disclosure requirements, increases penalties for violations.
- Prohibits lobbyists' contributions to officials they lobby.
- Limits campaign fund transfers between candidates, regulates use of surplus campaign funds.
- Effective 1/1/01, except statewide elective office effective 11/6/02.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Additional net costs to the state, potentially up to several million dollars annually, to publish candidate statements in the state ballot pamphlet and to implement and enforce provisions of the measure.
- Unknown, but probably not significant, costs to local governments to implement voluntary spending limit provisions of the measure.

Final Votes Cast by the Legislature on SB 1223 (Proposition 34)

Assembly:	Ayes 42	Noes 23
Senate:	Ayes 32	Noes 2

BACKGROUND

Political Reform Laws. The Political Reform Act of 1974, approved by California voters in that year, established campaign finance disclosure requirements. Specifically, it required candidates for state and local offices, proponents and opponents of ballot measures, and other campaign organizations to report contributions received and expenditures made during campaigns. These reports are filed with the Secretary of State's office, local election officials, or both. The Fair Political Practices Commission (FPPC) is the state agency primarily responsible for enforcing the law.

In November 1996, California voters approved Proposition 208, an initiative that amended the Political Reform Act, to establish limits on campaign contributions to candidates, voluntary limits on campaign spending, and rules on when fund-raising can occur. The measure also required identification of certain donors in campaign advertisements for and against ballot measures and contained various other provisions regulating political campaigns.

A lawsuit challenging Proposition 208 resulted in a court order in January 1998 blocking enforcement of its provisions. At the time this analysis was prepared, the lawsuit was still pending. Until the case is resolved, it is unclear which, if any, provisions of Proposition 208 will be implemented. At this time generally no contribution and expenditure limits are in place for campaigns for state elective offices.

Ballot Pamphlet and Sample Ballot. Before each statewide election, a ballot pamphlet prepared by the Secretary of State is mailed to each household with a registered California voter. It contains information on propositions placed on the ballot by the Legislature as well as ballot initiative and referendum measures placed before voters through signature gathering. State law also directs county elections officials to prepare and mail to each voter a sample ballot listing the federal, state, and local candidates and ballot measures.

On-Line Campaign Reporting. State law requires certain candidates and campaign organizations involved in elections for state elective office or ballot propositions to file campaign finance information on-line or in electronic formats with the Secretary of State. Information from those campaign finance reports is then made available for public review through the Internet.

PROPOSAL

This measure revises state laws on political campaigns for state and local elective offices and ballot propositions. Most of these changes would take effect beginning in 2001. Campaigns for statewide elective office, such as Governor, would generally not be affected by the provisions of the measure until after the November 2002 election. This measure does not affect campaigns for federal office, such as the U.S. Congress and generally does not affect the contribution limits now enforced for local offices. The major provisions of this measure include the following:

- Repeals the campaign contribution and voluntary spending limits for state and local elective offices enacted by Proposition 208. Establishes new contribution and voluntary campaign spending limits, with higher dollar amounts than those contained in Proposition 208, for state elective offices.
- Enacts new campaign disclosure requirements, including on-line or electronic reporting in a timely manner of campaign contributions and expenditures of \$1,000 or more.
- Increases penalties for campaign law violations to the same levels as Proposition 208.

These major provisions of the measure are described in more detail below.

Campaign Contribution Limits

This measure establishes limits on contributions to candidates for state elective office. The limits vary according to the state office sought by the candidate and the source of the contribution, as shown in Figure 1. The limits would be adjusted every two years for inflation.

Figure 1

Proposition 34
Campaign Contribution Limits

Contributor	Candidate for:		
	Statewide Office		
	Legislature	Other Than Governor	Governor
Individual	\$3,000	\$5,000	\$20,000
"Small Contributor Committee" ^a	6,000	10,000	20,000
Lobbyist ^b	Prohibited	Prohibited	Prohibited
Political party	No limit	No limit	No limit

^a Defined as a committee in existence for at least six months with 100 or more members, none of whom contribute more than \$200 to the committee in a year, and which contributes to five or more candidates.

^b Prohibition applies to lobbyists only in certain circumstances.

This measure repeals the contribution limits contained in Proposition 208 and replaces them with limits that are generally higher than those contained in Proposition 208. For example, this measure limits contributions from an individual to a candidate for the Legislature to \$3,000 per election and repeals the Proposition 208 limit of \$250 per election for such contributions.

The measure also limits contributions by an individual to a political party for the support or defeat of candidates for elective state office. The contributions would be limited to \$25,000 per calendar year, although additional sums could be given to support other party activities. This measure does not limit the contributions political parties could make to candidates.

The measure also establishes contribution limits both for small contributor committees and for the transfer of funds left over from prior campaigns to the same candidate. In addition, it prohibits contributions from lobbyists to state elective officials or candidates under certain conditions. This measure also repeals a provision

in Proposition 208 limiting contributions to political committees which operate independently of a candidate's campaign committee.

Under this measure, candidates would be allowed to give unlimited amounts of their own money to their campaigns. However, the amount candidates could loan to their campaigns would be limited to \$100,000 and the earning of interest on any such loan would be prohibited.

This measure repeals a provision of Proposition 208 that bans transfers of funds from any state or local candidate or officeholder to another candidate, but establishes limits on such transfers from state candidates. The measure also repeals a provision of Proposition 208 that prohibits candidates for state and local elective office from fund-raising in nonelection years.

Voluntary Spending Limits

Proposition 208 enacted voluntary campaign spending limits for state elective offices. Candidates who accepted those limits would (1) be entitled to obtain larger campaign contributions than otherwise; (2) be identified in the state ballot pamphlet, county sample ballot materials, and on the ballot as having accepted the limits; and (3) receive free space for a statement in support of his or her candidacy in the state ballot pamphlet or in county ballot materials (depending upon the office sought).

This measure repeals those provisions and enacts a new set of voluntary spending limits. Candidates who accepted these limits would (1) be identified in the state ballot pamphlet as having accepted the limits and (2) be eligible to purchase space in the state ballot pamphlet for a statement in support of his or her candidacy.

The major spending limit provisions of this measure are shown in Figure 2. These voluntary limits, which would be adjusted every two years for inflation, are higher than the limits contained in Proposition 208. For example, this measure would repeal a voluntary expenditure limit of \$100,000 for the primary election for an Assembly seat and instead establish a limit of \$400,000 for such an election contest.

Figure 2

Proposition 34 Voluntary Spending Limits

Election Contest	Election	
	Primary	General
Assembly	\$400,000	\$700,000
Senate	600,000	900,000
State Board of Equalization	1 million	1.5 million
Other statewide offices, except Governor	4 million	6 million
Governor	6 million	10 million

Figure 3 shows some of the key changes made by Proposition 34.

Figure 3

Key Changes Made by Proposition 34

This measure would enact new contribution and voluntary spending limits for candidates for state elective office. Two examples are shown below of how these provisions differ from the Political Reform Act, which is the current practice in regular elections, and Proposition 208, which has not been implemented because of a pending lawsuit.

Election Contest	Political Reform Act of 1974	Proposition 208	Proposition 34
Limits Per Election on Campaign Contributions by Individuals^a			
Assembly and Senate	No limits	\$250	\$3,000
Statewide offices (except Governor)	No limits	\$500	\$5,000
Governor	No limits	\$500	\$20,000
Voluntary Campaign Spending Limits^{b,c}			
Assembly			
Primary:	No limits	\$100,000	\$400,000
General:	No limits	\$200,000	\$700,000
Senate			
Primary:	No limits	\$200,000	\$600,000
General:	No limits	\$400,000	\$900,000
Board of Equalization			
Primary:	No limits	\$200,000	\$1 million
General:	No limits	\$400,000	\$1.5 million
Statewide Office (except Governor)			
Primary:	No limits	\$1 million	\$4 million
General:	No limits	\$2 million	\$6 million
Governor			
Primary:	No limits	\$4 million	\$6 million
General:	No limits	\$8 million	\$10 million

^a Under Proposition 208, limits double if candidate agrees to voluntary campaign spending limit.

^b Under Proposition 208, limits can as much as triple under certain circumstances defined in the measure.

^c Under Proposition 34, political party expenditures on behalf of a candidate do not count against voluntary spending limits.

Campaign Disclosure Rules

Paid Endorsements. Under this measure, if a person appearing in a campaign advertisement for or against a state or local ballot proposition was paid, or will be paid \$5,000 or more for the appearance, that fact would have to be disclosed in the advertisement.

On-Line Reporting. This measure requires that a candidate for state elective office or a committee supporting a state ballot measure make on-line or electronic reports to the Secretary of State within 24 hours of receiving a contribution of \$1,000 or more during the 90 days before an election. Certain independently operating committees would similarly have to make on-line or electronic reports of expenditures of \$1,000 or more related to a candidate for state elective office.

Advertising Payments. Under current law, if a person spends funds to directly advocate the election or defeat of a candidate for state office, such expenditures generally must be disclosed in a statement filed with the Secretary of State before the election. This measure would generally require an on-line or electronic report before the election when someone is purchasing campaign advertisements involving payments of \$50,000 or more that clearly identify a candidate for state office but do not expressly advocate the candidate's election or defeat.

"Slate Mailers." Slate mailers—mailed campaign advertisements containing lists of recommendations for voters—would have to include a written notice if they indicate an association with a political party but their recommended position on a ballot proposition or candidate differs from that political party's official position.

Other Provisions

Fund-Raising by Appointees. This measure repeals a provision in Proposition 208 that would prohibit members of certain appointed public boards or commissions from contributing to or soliciting campaign contributions on behalf of the person who appointed them to that office.

Surplus Campaign Funds. This measure limits the use of surplus campaign funds to specified purposes, including repayment of campaign debts or political contributors, charitable donations, contributions to

political parties, home security systems for candidates or officeholders subjected to threats, and payment of legal bills related to seeking or holding office. In so doing, the measure repeals a provision of Proposition 208 that generally requires, within 90 days after an election, the distribution of any surplus funds to political parties, political contributors, or to the state.

Penalties and Enforcement. This measure increases penalties for violations of campaign law to the same levels as Proposition 208. For example, the FPPC could impose a fine of up to \$5,000 per violation, instead of the prior penalty of \$2,000. Additionally, the measure repeals a provision of Proposition 208 allowing the FPPC to initiate criminal prosecution of alleged violations of campaign laws, and narrows the cases in which an alleged campaign law violation is subject to penalties.

FISCAL EFFECT

This measure would result in additional costs to the state primarily related to the publication of candidate statements in the state ballot pamphlet and the implementation and enforcement of various provisions of the measure. The additional state costs would be offset to an unknown extent by payments and fines from candidates and political committees. We estimate that the net costs to the state could potentially be as much as several million dollars annually. In addition, local governments would incur unknown, but probably not significant, costs to implement the voluntary spending limit provisions of the measure.

34 CAMPAIGN CONTRIBUTIONS AND SPENDING. LIMITS. DISCLOSURE.

Legislative Initiative Amendment.

Argument in Favor of Proposition 34

Reform California political campaigns. Vote YES on Proposition 34.

- Clamp a lid on campaign contributions
- Limit campaign spending
- Require faster disclosure of contributions via the Internet
- Does not allow taxpayer dollars to be used in campaigns
- Stop political “sneak attacks”
- Close loopholes for wealthy candidates
- Increase fines for law violators

Currently there are no limits on what politicians can collect and spend to get elected to state office. California is still the wild west when it comes to campaign fundraising. Six-figure campaign contributions are routine. Proposition 34 finally sets enforceable limits and puts voters back in charge of California’s political process.

• PROPOSITION 34 LIMITS POLITICAL CONTRIBUTIONS

Proposition 34 brings strict contribution limits to every state office. These limits are tough enough to rein in special interests and reasonable enough to be upheld by the courts. Proposition 34 bans lobbyists from making ANY contribution to any elected state officer they lobby.

• PROPOSITION 34 CREATES CAMPAIGN SPENDING LIMITS

Campaign spending is out of control. Proposition 34 creates legally allowable limits to keep spending under control and includes a system so voters know who abides by the limits and who doesn’t.

• PROPOSITION 34 USES THE INTERNET TO SPEED UP DISCLOSURE

Proposition 34 requires candidates and initiatives to disclose contributions of \$1,000 or more on the Internet within 24 hours for a full three months before the end of the campaign.

• PROPOSITION 34 DOES NOT ALLOW TAXPAYER FUNDED CAMPAIGNS

Proposition 34 does not impose taxpayer dollars to be used to finance political campaigns in California. Our tax money is better spent on schools, roads and public safety.

• PROPOSITION 34 MORE THAN DOUBLES FINES TO \$5,000 PER VIOLATION

• PROPOSITION 34 CLOSES LOOPHOLES FOR WEALTHY CANDIDATES

Wealthy candidates can loan their campaigns more than \$100,000, then have special interests repay their loans. Proposition 34 closes this loophole.

• PROPOSITION 34 STOPS POLITICAL SNEAK ATTACKS

In no-limits California, candidates flush with cash can swoop into other races and spend hundreds of thousands of dollars at the last minute to elect their friends. Proposition 34 stops these political sneak attacks.

• PROPOSITION 34 REFORMS WON’T BE THROWN OUT

Three times in the past twelve years, voters have attempted to enact limits only to have the courts strike them down.

Proposition 34 has been carefully written to fully comply with all court rulings and will set reasonable limits that can be enforced.

VOTE YES ON PROPOSITION 34 if you’re tired of special interests controlling our government.

VOTE YES ON PROPOSITION 34 if you want real campaign reform that can and will be enforced.

VOTE YES ON PROPOSITION 34 if you don’t want taxpayers to pay for political campaigns.

Proposition 34 is tough, fair and enforceable. It deserves your support.

DAN STANFORD, *Former Chair*

California Fair Political Practices Commission

EILEEN PADBERG, *Member*

Bipartisan Commission on the Political Reform Act

HOWARD L. OWENS, *Director of Region IX*

National Council of Senior Citizens

Rebuttal to Argument in Favor of Proposition 34

Proponents of Proposition 34 just don’t get it! Ridding state government of special influence is a worthy goal. *BUT PROPOSITION 34 OFFERS A CURE THAT IS WORSE THAN THE DISEASE.*

It is very expensive to run for political office in California. Candidates need campaign contributions to inform voters where they stand on the issues. If candidates are unable to raise the money needed to finance a campaign, how will voters be able to make informed choices as to who is the best person to represent them?

Free speech is a cherished right in our nation. *WHY SHOULD WE RESTRICT A POLITICAL CANDIDATE’S FREE SPEECH IN THE GUISE OF POLITICAL REFORM?*

Proponents of campaign finance reform have the false illusion that Proposition 34 contribution limits will keep special interest politics out of the State Legislature.

They’re wrong.

PROPOSITION 34 WON’T WORK. Here’s why:

By clamping unworkable limits on normal campaign contributions, candidates will be forced to spend *more time*—not less—asking wealthy political donors for money.

Incumbent politicians will be begging for money when they should be tending to the public’s business. Challengers will be forced to seek campaign funds from any and all sources that want political favors from Sacramento.

PROPOSITION 34 IS A RECIPE FOR A GOVERNMENT MORE BEHOLDEN TO SPECIAL INTERESTS.

The best way to reduce special interest influence is to fully disclose all campaign contributions and let the voters decide which candidate deserves our trust.

Vote No on Proposition 34.

BRETT GRANLUND, *Assemblyman*

65th Assembly District

BILL MORROW, *Senator*

38th District

Argument Against Proposition 34

True campaign finance reform is to require detailed reporting of all contributions and let the chips fall where they may.

Proposition 34 is an unnecessary scheme to limit the amount of money that can be spent by candidates for State office. CANDIDATES SPEND CAMPAIGN MONEY TO SEND US INFORMATION ABOUT THEIR CAMPAIGN AND THEIR POSITIONS ON ISSUES. THIS ENABLES US TO MAKE CHOICES. No money, no information.

The supporters of Proposition 34 say we should limit campaign money because contributors could unduly influence candidates or officeholders. Do you want to be dependent upon biased newspapers or news organizations to tell us what a candidate thinks rather than letting the candidate himself or herself tell you?

If a person feels so strongly about the qualities of a candidate that he or she wants to give money to help get the candidate elected, so what? If a person believes the positions of an incumbent politician are wrong, doesn't he or she have the right to financially help the opponent? ALL CAMPAIGN CONTRIBUTIONS ARE NOW REPORTED. IF WE DON'T LIKE THE PEOPLE WHO GIVE MONEY TO A POLITICIAN, WE CAN VOTE AGAINST HIM OR HER!

Without a political campaign, we'd never know which of the candidates are worthy of our support. Proposition 34 would

impose severe limits on campaign money. Limits so severe that most politicians would be unable to communicate effectively. Limits so severe that we might wind up electing the politician we'd heard something about—the most famous name. DO WE WANT TO LIMIT OUR CHOICE OF CANDIDATES TO A GROUP OF RICH MOVIE STARS, FAMOUS ATHLETES OR CELEBRITY TALK SHOW HOSTS?

Political campaigns cost money: money for mail advertisements, money for television and radio advertisements. We may not believe what they tell us, but it doesn't cost US anything.

Our Founding Fathers wrote a guarantee of "free speech" into the Constitution. But speech isn't free if you want a lot of people to hear it. When you outlaw campaign money, you are really outlawing effective speech in politics—and that's wrong!
VOTE NO ON PROPOSITION 34!

BRETT GRANLUND, *Assemblyman*
65th Assembly District
BILL MORROW, *Senator*
38th District

Rebuttal to Argument Against Proposition 34

Opponents of Proposition 34 argue that we don't need reform of our campaign system. They would have us believe that unlimited campaign contributions by special interests do not influence politicians. Are they serious?

Former Insurance Commissioner Chuck Quackenbush accepted five and six figure campaign contributions from insurance companies which led to one of the biggest corruption scandals in California history. These huge contributions would not have been allowed under Proposition 34.

PROPOSITION 34 WILL PUT THE BRAKES ON SPECIAL INTEREST DOLLARS.

- Special interests will be limited in what they can contribute to candidates.

- Lobbyists will be forbidden from making contributions.
- Campaign spending will be limited.
- Faster public disclosure of contributions will be required.

PROPOSITION 34 IS CONSTITUTIONAL.

On three recent occasions, voters have approved ballot measures imposing strict contribution limits. Each time, the courts have struck them down.

Unlike other reform measures, Proposition 34 was drafted by experts to fully comply with all court rulings. It will allow candidates to spend enough to campaign effectively without allowing special interests to buy elections.

With no current contribution or spending limits in place, politicians routinely spend \$1 million for a seat in the State Legislature. Where do they get this money? The vast majority of their campaign dollars come from powerful special interests seeking favors in Sacramento.

Officials should work for the people who elect them, not for special interests.

REFORM CALIFORNIA CAMPAIGNS. FIGHT CORRUPTION.
VOTE YES ON 34.

LEE BACA, *Sheriff*
Los Angeles County
DAN STANFORD, *Former Chair*
California Fair Political Practices Commission
GEORGE ZENOVICH, *Associate Justice*
Court of Appeal, Fifth District (ret.)

Official Title and Summary Prepared by the Attorney General**PUBLIC WORKS PROJECTS. USE OF PRIVATE CONTRACTORS FOR ENGINEERING AND ARCHITECTURAL SERVICES.**

Initiative Constitutional Amendment and Statute.

- Amends constitution to provide that in the design, development and construction of public works projects, state government may choose to contract with private entities for engineering and architectural services without regard to certain existing legal restrictions which apply to the procurement of other services.
- Specifies that local governments may also choose to contract with private entities for engineering, architectural services.
- Imposes competitive selection process, which permits but does not require competitive bidding, in awarding engineering and architectural contracts.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Unknown fiscal impact on state spending for architectural and engineering services and construction project delivery. Actual impact will depend on how the state uses the contracting flexibility granted by the proposition in the future.
- Little or no fiscal impact on local governments because they generally can now contract for these services.

BACKGROUND

Under California constitutional law, services provided by state agencies generally must be performed by state civil service employees. These services cover a broad range of activities—such as clerical support, building maintenance and security, and legal services. In some cases, however, the state may contract with private firms to obtain services. Such contracting is allowed, for example, if services needed by the state are: (1) of a temporary nature, (2) not available within the civil service, or (3) of a highly specialized or technical nature. Unlike the state, local governments are not subject to constitutional restrictions on contracting for services.

The state and local governments frequently contract with private firms for construction-related services, which include architectural, engineering, and environmental impact studies. State and local governments enter into these contracts through a competitive process of advertising for the service, selecting the firm determined to be best qualified, and negotiating a contract with that firm. However, neither the state nor most local government entities use a bidding process for these services. By comparison, bidding generally is used to acquire goods and for construction of projects.

PROPOSAL

This proposition amends the State Constitution to allow the state and local governments to contract with qualified private entities for architectural and engineering services for all phases of a public works project. Thus, governments could decide to contract out for these specific services in any case, rather than just on an exception basis.

The proposition also enacts statutory laws which:

- Define the term “architectural and engineering services” to include all architectural, landscape architectural, environmental, engineering, land surveying, and construction project management services.
- Specify that all projects in the State Transportation Improvement Program (STIP) are covered by the requirements of the proposition. The STIP is the state’s transportation plan that includes public works projects to increase the capacity of the state’s highways and provide transit capital improvements (such as new freeways, new interchanges, and passenger rail rights-of-way). The STIP is the state’s largest ongoing capital improvement program.

Thus, the proposition would probably have the greatest impact in the transportation area.

- Require architectural and engineering services to be obtained through a fair, competitive selection process that avoids conflicts of interest.

FISCAL EFFECT

Impacts on State Costs

Eliminating restrictions on contracting out for architectural and engineering services would make it easier for the state to enter into contracts with private individuals or firms to obtain these services. As a result, the state would likely contract out more of these services. This could affect state costs in two main ways.

Cost of the Services. The fiscal impact would depend on the cost of salaries and benefits for state employees performing architectural and engineering services compared to the cost of contracts with private firms. These costs would vary from project to project. In some cases, costs may be higher to contract out. It may still be in the state’s best interest to do so, however, because of other considerations. For instance, during times of workload growth (such as a short-term surge in construction activity), contracting for services could be faster than hiring and training new state employees. In addition, contracting can prevent the build-up of a “peak-workload” staff that can take time to reduce once workload declines.

For these reasons, the proposition’s net impact on state costs for architectural and engineering services is unknown, and would depend in large part on how the state used the flexibility granted under the measure.

Impact on Construction Project Delivery. The ability to contract for architectural and engineering services could also result in construction projects being completed earlier. As noted above, during times of workload growth, the ability to contract for these services could result in projects’ completion earlier than through the hiring and training of new state employees. This, in turn, could have state fiscal impacts—such as savings in construction-related expenses. In these cases, faster project completion would also benefit the public as capital improvements would be in service sooner.

Impacts on Local Government Costs

There should be little or no fiscal impact on local governments because they generally can now contract for architectural and engineering services.

35 PUBLIC WORKS PROJECTS. USE OF PRIVATE CONTRACTORS FOR ENGINEERING AND ARCHITECTURAL SERVICES.

Initiative Constitutional Amendment and Statute.

Argument in Favor of Proposition 35

TRAFFIC GRIDLOCK, OVERCROWDED SCHOOLS:
DOESN'T IT JUST MAKE SENSE TO PUT EVERYONE TO WORK TO SOLVE THESE PROBLEMS?

- Proposition 35, the Fair Competition Initiative, simply gives state and local governments the choice to hire qualified private sector engineers and architects where it makes sense to do so—SOMETHING MANY OTHER STATES DO ALREADY.

Why is Proposition 35 needed?

BEEN STUCK IN TRAFFIC LATELY?

According to the state's independent Legislative Analyst, last year traffic congestion cost California consumers \$7.8 million a day! *There is a huge BACKLOG of transportation projects needed to REDUCE CONGESTION and PREPARE OUR HIGHWAYS, BRIDGES AND OVERPASSES FOR THE NEXT EARTHQUAKE.*

- PROP. 35 WILL ALLOW US TO USE PRIVATE EXPERTS TO GET TRANSPORTATION PROJECTS COMPLETED ON TIME AND ON BUDGET—AND KEEP TAXES DOWN.

How did we get into this mess?

A small group of Caltrans bureaucrats—concerned only with their self-interests—filed several lawsuits that essentially banned the state from hiring private architects and engineers. *They even terminated 15 existing earthquake retrofit contracts with private engineering firms.*

- PROP. 35 WILL ALLOW CALIFORNIA TO ONCE AGAIN MAKE USE OF PRIVATE SECTOR EARTHQUAKE EXPERTS TO ENSURE THE SAFETY OF OUR HIGHWAYS AND BRIDGES.

But the problem doesn't end there: *school districts, cities, counties and other local agencies' ability to choose both private and public sector architects and engineers is at risk, too.*

Prop. 35 would simply restore state and local agencies' choice to utilize private experts—using the same fair selection process on the books today—to select the most qualified architects or engineers to get these projects designed and built on time and on budget.

- PROP. 35 MEANS WE DON'T HAVE TO RELY ONLY ON CALTRANS.

The state's independent Legislative Analyst recommended Caltrans contract out more work.

Why? Caltrans simply cannot do all the work alone. *Plus, 17% of the Caltrans engineers have less than 3 years experience.* And Caltrans is hardly a model of efficiency—a recent university study shows *Caltrans spends more on administration than on maintenance of our roads and highways!*

- THE CALIFORNIA TAXPAYERS' ASSOCIATION and other taxpayer groups SUPPORT PROP. 35 because it could SAVE CALIFORNIANS \$2.5 BILLION ANNUALLY and CREATE 40,000 JOBS over the next ten years.

California's population is growing, creating the need for more schools, roads, transit, hospitals and other vital services. *THERE'S PLENTY OF WORK FOR BOTH PUBLIC AND PRIVATE ENGINEERS AND ARCHITECTS to relieve traffic congestion, accommodate growing school needs and retrofit our aging highway system.*

- COMMON SENSE TELLS US PUBLIC-PRIVATE PARTNERSHIPS ARE THE MOST COST-EFFECTIVE WAY TO MEET THESE NEEDS and SAVE TAXPAYERS MONEY.

With so much at stake, WE NEED ALL HANDS ON DECK.

Join with:

- California Taxpayer Protection Committee
- Coalition for Adequate School Housing
- California Minority and Women's Business Coalition
- California Chamber of Commerce
- California Society of Professional Engineers
- National Federation of Independent Business
- J. E. Smith, Former Commissioner of the California Highway Patrol

And hundreds of school districts, cities, counties, water districts, transportation agencies and earthquake engineers.

VOTE YES on 35.

LARRY MCCARTHY, *President*

California Taxpayers' Association

LORING A. WYLLIE, JR., *Past President*

Earthquake Engineering Research Institute

TODD NICHOLSON, *President*

Californians for Better Transportation

Rebuttal to Argument in Favor of Proposition 35

Proposition 35's backers use buzzwords: "gridlock," "overcrowded schools." BUT THEY DON'T SAY WHAT IT ACTUALLY DOES.

They say we need to give government "the choice" to contract with private engineering corporations. But that choice ALREADY EXISTS.

FACTS:

- CALIFORNIA ALREADY USES BOTH PUBLIC AND PRIVATE ENGINEERS. Just like other states, THOUSANDS OF GOVERNMENT CONTRACTS ARE ANNUALLY AWARDED to private firms of every kind. This year, Caltrans will spend \$150,000,000.00 on contracts with private engineers.

- PUBLIC-PRIVATE PARTNERSHIPS ALREADY EXIST. For example, when the Northridge earthquake knocked down the Santa Monica Freeway, a partnership of Caltrans engineers and private construction companies rebuilt it in record time.

So why is Proposition 35 on the ballot?

The REAL PURPOSE is to benefit engineering consultants who paid to put Proposition 35 on the ballot.

- Proposition 35 AMENDS THE CONSTITUTION TO EXEMPT JUST THIS ONE INDUSTRY from legal requirements that apply to every other business that contracts with state government.

- Proposition 35 REQUIRES A NEW SELECTION PROCESS WHICH IT DOES NOT DEFINE. How will engineering contracts be awarded? Proposition 35 doesn't say.

Because Proposition 35 doesn't define the process, it will cause CONFUSION, LITIGATION AND COSTLY ROAD AND SCHOOL CONSTRUCTION DELAYS while new regulations are created and challenged in court.

California Federation of Teachers says Proposition 35 will delay construction needed for class size reduction. Howard Jarvis Taxpayers Association says Proposition 35 will COST TAXPAYERS HUNDREDS OF MILLIONS OF DOLLARS.

Don't let a special interest change the Constitution for its benefit, not yours.

VOTE NO ON PROPOSITION 35!

LENNY GOLDBERG, *Executive Director*

California Tax Reform Association

MARY BERGAN, *President*

California Federation of Teachers

HOWARD OWENS, *President*

Consumer Federation of California

PUBLIC WORKS PROJECTS. USE OF PRIVATE CONTRACTORS FOR ENGINEERING AND ARCHITECTURAL SERVICES. 35

Initiative Constitutional Amendment and Statute.

Argument Against Proposition 35

You've seen it before, and here we go again. PROPOSITION 35 IS ANOTHER MISLEADING, SELF-SERVING, SPECIAL INTEREST INITIATIVE.

WHO'S BEHIND PROPOSITION 35?

According to official reports, huge engineering corporations paid millions to place Proposition 35 on the ballot and they are spending millions more to mislead you into voting for it. Are they really spending all that money to help you, the taxpayer? Of course not!

PROPOSITION 35 CHANGES CALIFORNIA'S CONSTITUTION so large engineering corporations don't have to abide by the rules that apply to every other business that contracts with government in California. Every year, state and local governments spend billions of dollars on contracts with thousands of businesses.

PROPOSITION 35 CREATES A SPECIAL INTEREST EXEMPTION FOR ONLY ONE GROUP—ITS SPONSORS!

HOW DOES PROPOSITION 35 AFFECT YOU?

Independent experts agree that PROPOSITION 35 WILL DELAY CONSTRUCTION OF ROADS, SCHOOLS, HEALTH CARE FACILITIES, and other needed projects for years.

A top regulatory expert says Proposition 35 will bring public contracting to a "crawl, if not a complete halt" while a NEW BLOATED STATE BUREAUCRACY develops a NEW SET OF STATE REGULATIONS and IMPOSES THEM ON OUR CITIES, COUNTIES, AND SCHOOL DISTRICTS!

Independent legal analyses say LAWSUITS WILL CAUSE EVEN MORE DELAYS!

THESE DELAYS COST YOU MONEY! The former State Auditor General, California's independent fiscal watchdog, identified MORE THAN \$8 BILLION of school, road, and hospital projects that will be delayed at a cost of HUNDREDS OF MILLIONS OF DOLLARS! Taxpayer dollars—YOUR DOLLARS!

Project delays mean TRAFFIC CONGESTION WILL GET WORSE. That's why the Engineers and Scientists of California and public

safety organizations—including the California Association of Highway Patrolmen and the California Professional Firefighters—oppose Proposition 35.

PROPOSITION 35 WILL DELAY CONSTRUCTION OF NEW CLASSROOMS NEEDED TO REDUCE CLASS SIZE AND IMPROVE EDUCATION. That's why educators, including school districts throughout California and the California School Employees Association, oppose Proposition 35.

PROPOSITION 35 WILL DELAY CONSTRUCTION OF HEALTH CARE FACILITIES, increasing the cost of health care. That's why health care professionals and seniors groups—including the California Nurses Association and the Congress of California Seniors—oppose Proposition 35.

Jon Coupal, President of the HOWARD JARVIS TAXPAYERS ASSOCIATION, says "Taxpayers should be very concerned with this proposal and its potential costs. We urge voters to vote NO on Proposition 35."

Don't let a few huge, greedy corporations mislead you into voting to change the Constitution to give them a special exemption so they can waste your tax dollars! Please join with the Howard Jarvis Taxpayers Association, the California Tax Reform Association, the Consumer Federation of California, the California Small Business Roundtable, law enforcement, firefighters, teachers, seniors, nurses, labor and many, many others who OPPOSE PROPOSITION 35.

VOTE NO ON PROPOSITION 35!

JEFF SEDIVEC, *President*

California State Firefighters' Association

LOIS WELLINGTON, *President*

Congress of California Seniors

MARLAYNE MORGAN

Engineers and Scientists of California

Rebuttal to Argument Against Proposition 35

They're at it again. *The CALTRANS BUREAUCRATS WHO ARE BANKROLLING THE CAMPAIGN AGAINST PROP. 35 will stop at nothing.*

First they filed lawsuits to terminate government's ability to contract with private sector architects and engineers. Then they brought *more* lawsuits to deny you the opportunity to vote on Prop. 35.

Now that it's on the ballot, those same bureaucrats are using their political allies in Sacramento and discredited studies to try to deceive you.

We invite you to read Prop. 35 yourself. IT'S THE MOST STRAIGHTFORWARD INITIATIVE ON THE BALLOT.

Prop. 35 will simply restore the ability of state and local government to use qualified private sector engineers and architects where it makes sense to do so—something many other states do already.

PROP. 35 DOESN'T CREATE ANY NEW COMPLICATED REGULATIONS OR DELAYS. *On the contrary, it restores the public/private partnerships needed to speed up the delivery of thousands of backlogged public works projects.*

That's precisely why hundreds of local governments, schools, transportation agencies, engineers, earthquake safety experts and *more than a dozen taxpayer groups* URGE A YES VOTE ON PROP. 35.

Working together, the public and private sectors can GET THE JOB DONE SOONER, SAFELY and MORE EFFICIENTLY.

It's a simple question really:

- If you want to preserve the Caltrans status quo of delays, vote no.

- If you want to see the PUBLIC AND PRIVATE SECTORS WORKING TOGETHER to speed up project delivery, SAVE taxpayers \$2.5 BILLION ANNUALLY and create 40,000 new jobs . . . VOTE YES on PROP. 35.

MIKE SPENCE, *President*

California Taxpayer Protection Committee

RON HAMBURGER, *President*

Structural Engineers Association of California

MICHAEL E. FLYNN, *President*

Taxpayers for Fair Competition—a coalition of taxpayers, engineers, seniors, schools, local government, business, labor, highway safety experts and frustrated commuters

36

DRUGS. PROBATION AND TREATMENT PROGRAM.
Initiative Statute.Official Title and Summary Prepared by the Attorney General**DRUGS. PROBATION AND TREATMENT PROGRAM.**

Initiative Statute.

- Requires probation and drug treatment program, not incarceration, for conviction of possession, use, transportation for personal use or being under influence of controlled substances and similar parole violations, not including sale or manufacture.
- Permits additional probation conditions except incarceration.
- Authorizes dismissal of charges when treatment completed, but requires disclosure of arrest and conviction to law enforcement and for candidates, peace officers, licensure, lottery contractors, jury service; prohibits using conviction to deny employment, benefits, or license.
- Appropriates treatment funds through 2005–2006; prohibits use of these funds to supplant existing programs or for drug testing.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Net savings to the state of between \$100 million and \$150 million annually, within several years of implementation.
- Potential one-time avoidance of capital outlay costs to the state of between \$450 million and \$550 million in the long term.
- Net savings to local government of about \$40 million annually, within several years of implementation.

OVERVIEW

This measure changes state law so that certain adult offenders who use or possess illegal drugs would receive drug treatment and supervision in the community, rather than being sent to prison or jail or supervised in the community, generally without drug treatment. The measure also provides state funds to counties to operate the drug treatment programs.

The most significant provisions of the measure and their fiscal effects are discussed below.

BACKGROUND

Three Types of Crimes. Under current state law, there are three kinds of crimes: felonies, misdemeanors, and infractions.

A felony is the most severe type of crime and can result in a sentence in state prison or county jail, a fine, or supervision on county probation in the community. Current law classifies some felonies as “violent” or “serious.” The state’s “Three Strikes and You’re Out” law provides longer prison sentences, in some cases 25 years to life, for offenders who have prior convictions for violent or serious felonies.

Misdemeanors are considered less serious and can result in a jail term, probation, a fine, or release to the community without probation but with certain conditions imposed by the court. Infractions, which include violations of certain traffic laws, cannot result in a prison or jail sentence.

Drug Offenses. State law generally makes it a crime to possess, use, or be under the influence of certain drugs, including marijuana, cocaine, heroin, and methamphetamine.

Some drug-related offenses are classified as felonies and some as misdemeanors. Whether a drug-related crime is classified as a felony or misdemeanor, as well as the punishment imposed upon conviction, depends primarily upon the specific substance found to be in the possession of an offender. Drug offenses are not classified by law as violent or serious offenses.

State law generally provides more severe punishment for offenders convicted of possessing illegal drugs for sale rather than for their own personal use.

Probation Violators. With some exceptions, an offender convicted of drug use or possession can be sentenced to county probation supervision in the community instead of jail or prison, or to probation supervision after a term in jail. A probationer found to have committed a new crime while on probation such as using or possessing an illegal drug, or who violated any condition of probation, could be sent to state prison or county jail by the courts.

Parole Violators. After release from prison, an offender imprisoned for felony drug possession is subject to up to three years of state parole supervision in the

community. A parolee who commits a new crime, such as using or possessing an illegal drug, could be returned to prison by the courts based on new criminal charges, or by the administrative action of the Board of Prison Terms based on a finding of a parole violation.

PROPOSAL

Drug Offenders Convicted in Court

Changes in Sentencing Law. Under this proposition, effective July 1, 2001, an offender convicted of a “nonviolent drug possession offense” would generally be sentenced to probation, instead of state prison, county jail, or probation without drug treatment. As a condition of probation, the offender would be required to complete a drug treatment program.

The measure defines a nonviolent drug possession offense as a felony or misdemeanor criminal charge for being under the influence of illegal drugs or for possessing, using, or transporting illegal drugs for personal use. The definition excludes cases involving possessing for sale, producing, or manufacturing of illegal drugs.

Offenders convicted of nonviolent drug possession offenses would be sentenced by the court for up to one year of drug treatment in the community and up to six additional months of follow-up care. The drug treatment programs must be licensed and certified by the state and could include various types of treatment methods, including residential and outpatient services and replacement of narcotics with medications, such as methadone. A court could require offenders to participate in vocational training, family counseling, literacy training or community service, and could impose other probation conditions. The measure requires that offenders who are reasonably able to do so help pay for their own drug treatment.

Some Offenders Excluded. This measure specifies that certain offenders would be excluded from its provisions and thus could be sentenced by a court to a state prison, county jail, or probation without drug treatment. This would be the case for an offender who refused drug treatment, or who possessed or was under the influence of certain (although not all) illegal drugs while using a firearm. This measure also excludes offenders convicted in the same court proceeding of a misdemeanor unrelated to drug use or any felony other than a nonviolent drug possession offense. Also, an offender who had two or more times failed the drug treatment programs required under this measure, and who was found by the court to be “unamenable” to any form of drug treatment, would be sentenced to 30 days in county jail.

In addition, offenders with one or more violent or serious felonies on their record, and thus subject to longer prison sentences under the Three Strikes law,

would not be sentenced under this measure to probation and drug treatment, unless certain conditions existed. Specifically, during the five years before he or she committed a nonviolent drug possession offense, the offender (1) had not been in prison, (2) had not been convicted of a felony (other than nonviolent drug possession), and (3) had not been convicted of any misdemeanor involving injury or threat of injury to another person.

Court Petitions. An offender placed on probation who successfully completes drug treatment and complies with his or her probation conditions could petition the court to dismiss the charges and to have that arrest considered, with some exceptions, to have never occurred.

Sanctions. An offender sentenced by a court to participate in and complete a drug treatment program under this measure would only be subject to certain sanctions if it were determined that he or she was unamenable to treatment or had violated a condition of probation. The sanctions could include being moved to an alternative or more intensive form of drug treatment, revocation of probation, and incarceration in prison or jail. In some cases involving repeat drug-related violations, return to prison or jail would be mandatory.

Parole Violators

Changes in Parole Revocation. Under this proposition, effective July 1, 2001, a parole violator found to have committed a nonviolent drug possession offense or to have violated any drug-related condition of parole would generally be required to complete a drug treatment program in the community, instead of being returned to state prison. The Board of Prison Terms could require parole violators to participate in and complete up to one year of drug treatment and up to six additional months of follow-up care.

Parolees could also be required to participate in vocational training, family counseling, or literacy training. Parolees reasonably able to do so could be required to help pay for their own drug treatment.

Some Parole Violators Excluded. Under the measure, the Board of Prison Terms could continue to send to prison any parole violator who refused drug treatment, or had been convicted of a violent or serious felony. The measure also excludes parole violators who committed a misdemeanor unrelated to the use of drugs or any felony at the same time as a nonviolent drug possession offense.

Court Petitions. Unlike drug offenders placed on probation by the courts, parolees would not be eligible under this measure to submit petitions for dismissal of the charges or to have their arrest considered to have never occurred.

Sanctions. Parolees who fail to comply with their drug treatment requirements or violate their conditions of parole would only be subject to sanctions similar to those for drug offenders on probation, including modification of their drug treatment program or revocation of parole and return to state prison.

Other Provisions

The measure provides state funds to counties to implement the measure and requires a study of its effectiveness and fiscal impact. County governments would be directed to report specified information on the implementation and effectiveness of the drug treatment programs to the state, and their expenditures would be subject to audits by the state.

FISCAL EFFECT

This measure would have significant fiscal effects upon both state and local governments. The major effects are discussed below.

Individual Fiscal Components

State Prison System. This measure would result in savings to the state prison system. This is because as many as 24,000 nonviolent drug possession offenders per year would be diverted to drug treatment in the community instead of being sent to state prison. Because many of these offenders would otherwise have served only a few months in prison, we estimate as many as 11,000 fewer prison beds would be needed at any given time. Consequently, state prison operating costs would be reduced by between \$200 million to \$250 million annually within several years after implementation of this measure.

The estimate reflects a range of potential savings because of (1) differences in how counties would implement the measure and the effectiveness of the treatment programs they would establish, (2) possible changes in the way prosecutors and judges handle drug cases, such as changes in plea bargaining practices, and (3) uncertainty about the number of Three Strikes cases affected by the measure. These savings would be partly offset to the extent that the offenders diverted to the community under this measure later commit additional crimes that result in their commitment to state prison.

Assuming that growth in the inmate population would have otherwise continued, the state would also be able to delay the construction of additional prison beds as a result of this measure. This would result in a one-time avoidance of capital outlay costs of between \$450 million and \$550 million in the long term.

State Parole System. This measure would divert a significant number of offenders from entering state custody as prison inmates. Thus, fewer offenders would eventually be released from state prison to state parole supervision, resulting in a savings to the state. We estimate that the initiative would result in a net caseload reduction of as many as 9,500 parolees and a net state savings of up to \$25 million annually for parole operations.

County Jails. We estimate that the provisions in this measure barring jail terms for nonviolent drug possession offenses would divert about 12,000 eligible offenders annually from jail sentences to probation supervision and drug treatment in the community. This would result in about \$40 million annual net savings to county

governments on a statewide basis, within several years after implementation of the measure. These savings would decline to the extent that jail beds no longer needed for drug possession offenders were used for other criminals who are now being released early because of a lack of jail space.

Treatment Trust Fund. This measure appropriates \$60 million from the state General Fund for the 2000–01 fiscal year, and \$120 million each year thereafter concluding with the 2005–06 fiscal year, to a Substance Abuse Treatment Trust Fund. After 2005–06, funding contributions from the General Fund to the trust fund would be decided annually by the Legislature and Governor.

The money placed in the trust fund would be allocated each year to county governments to offset their costs of implementing this measure, including increased probation caseloads, substance abuse treatment, court monitoring of probationers, vocational training, family counseling, literacy training, and compliance with the state reporting requirements. None of the money could be used for drug testing of offenders.

Fees Paid by Offenders. This measure authorizes the courts and the Board of Prison Terms to require eligible offenders to contribute to the cost of their drug treatment programs. The amount of revenues generated from charging such fees to offenders is unknown but would probably amount to several million dollars annually on a statewide basis within several years after implementation of the measure.

Trial Court Impacts. This measure would probably result in significant ongoing annual savings for the court system because fewer offenders facing nonviolent drug possession charges would contest those charges at trial. The combined savings to the state and county governments for trial court, prosecution, and indigent defense counsel costs would probably amount to several million dollars annually on a statewide basis within several years after implementation of the measure. However, the savings to the state could be offset by an unknown, but probably small, amount for additional court costs to monitor treatment compliance by diverted offenders.

Other Drug Treatment Effects. To the extent that the additional drug treatment services provided under this measure are effective in reducing substance abuse, state and local governments could experience savings for

health care, public assistance, and law enforcement programs. The amount of such potential savings is unknown.

Summary of Fiscal Effects

This measure is likely to result in net savings to the state after several years of between \$100 million and \$150 million annually due primarily to lower costs for prison operations. Assuming inmate population growth would have otherwise continued, the state would also be able to delay the construction of additional prison beds for a one-time avoidance of capital outlay costs of between \$450 million and \$550 million in the long term. Counties would probably experience net savings of about \$40 million annually due primarily to a lower jail population.

A summary of the fiscal effects of the measure is shown in Figure 1.

Figure 1

Proposition 36
Summary of Fiscal Effects of Major Provisions^a

	State	Local
Substance Abuse Treatment Trust Fund Appropriation	\$120 million annual costs.	—
Prison operations	\$200 million to \$250 million annual savings.	—
Prison construction	\$450 million to \$550 million one-time cost avoidance.	—
Parole operations	\$25 million annual savings.	—
Jail operations	—	\$40 million annual savings statewide.
Fees paid by offenders	—	Potentially several million dollars in annual revenues statewide.
Trial courts, prosecution, public defense	Potentially several million dollars in annual savings.	Potentially several million dollars in annual savings statewide.
Total Fiscal Impact	\$100 million to \$150 million annual net savings; \$450 million to \$550 million one-time cost avoidance.	About \$40 million in annual net savings statewide.

^a Within several years after implementation of the measure.

36 DRUGS. PROBATION AND TREATMENT PROGRAM. Initiative Statute.

Argument in Favor of Proposition 36

If Proposition 36 passes, nonviolent drug offenders convicted for the first or second time after 7/1/2001, will get mandatory, court-supervised, treatment instead of jail.

California prisons are overcrowded. We don't want violent criminals to be released early to make room for nonviolent drug users. We must keep violent criminals behind bars, and try a different approach with nonviolent drug users.

Proposition 36 is strictly limited. It only affects those guilty of simple drug possession. If previously convicted of violent or serious felonies, they will not be eligible for the treatment program unless they've served their time and have committed no felony crimes for five years. If convicted of a non-drug crime along with drug possession, they're not eligible. If they're convicted of selling drugs, they're not eligible.

Treatment under Proposition 36 is not a free ride. The rules are strict. For example, if an offender commits a non-drug crime, or demonstrates that treatment isn't working by repeatedly testing positive for drug use, the offender can be jailed for one to three years.

Besides drug treatment, judges can also order job training, literacy training and family counseling. The idea is to turn addicts into productive citizens, so they pay taxes and stop committing crimes to support their habits.

This is smart drug policy. A California governmental study showed that taxpayers save \$7 for every \$1 invested in drug treatment. The state's impartial Legislative Analyst says Proposition 36 can save California hundreds of millions of dollars a year, even after spending \$120 million annually on treatment programs.

In 1996, Arizona voters passed a similar initiative. Their Supreme Court reported millions of dollars in savings and a

remarkable success rate in treating drug users during the first two years. More recently, New York State decided to implement a similar program.

Proposition 36 is a safe, smart alternative to the failed drug war. It is supported by prominent Democrats and Republicans, major newspapers, and the California Society of Addiction Medicine. Some law enforcement officers and organizations also support Proposition 36. It is opposed by the prison guards union and law enforcement groups that want to spend even more money on failed drug policies we've had for 25 years.

Proposition 36 only affects simple drug possession. No other criminal laws are changed. Right now there are 19,300 people in California prisons for this offense. We're paying \$24,000 per year for each of them. When they get out, many will return to drugs and crime. Treatment costs about \$4,000, and while it doesn't help every drug user, it does reduce future crime more effectively than prison.

Proposition 36 is not radical. It gives eligible drug users the opportunity for treatment. If they fail, or break the rules, they can go to jail. Those who can afford to pay for treatment can be forced to do so. If they are convicted of a violent or serious felony or are dealing drugs, they won't be eligible. Treatment instead of jail works in Arizona and will work in California.

PETER BANYNS, *President*

California Society of Addiction Medicine

RICHARD POLANCO, *Majority Leader*

California State Senate

KAY McVAY, *President*

California Nurses Association

Rebuttal to Argument in Favor of Proposition 36

Supporters of Proposition 36 say a similar initiative in Arizona is a "proven success." In fact, it has created a nightmare.

Because drug offenders now realize there are no consequences for failing or refusing treatment, many are thumbing their noses at the court and continuing to abuse drugs.

As a result, treatment is less effective and our drug problems are getting worse.

RICHARD M. ROMLEY, *Maricopa County District Attorney,*
State of Arizona

Proposition 36 is not limited to "nonviolent" drug users.

Persons convicted of possessing "date rape" drugs can remain on the street under Proposition 36—even those with prior convictions for sex crimes like rape and child molesting.

Proposition 36 also lets drug abusers with a history of criminal violence remain free, including those with prior convictions for murder, child abuse, assault and other violent crimes.

Under Proposition 36, they cannot be sent to jail, no matter how violent their criminal history.

ROBERT NALETT, *Vice President*

California Sexual Assault Investigators Association

Proposition 36 doesn't provide "court-supervised" drug treatment.

It ties the hands of judges, hurts legitimate treatment and effectively decriminalizes heroin, methamphetamine and other illegal drugs.

Proposition 36 includes no licensing or accountability guidelines—inviting unregulated, ineffective treatment by unqualified operators.

It cripples California's successful drug courts, which provide effective treatment under court supervision—helping drug abusers and saving taxpayers an estimated \$10 for every dollar invested.

Drug courts hold drug abusers accountable with regular drug testing and consequences for failing treatment—accountability not found in Proposition 36.

STEPHEN V. MANLEY, *President*

California Association of Drug Court Professionals

Argument Against Proposition 36

Decriminalizes Heroin and Other Hard Drugs

Proposition 36 effectively decriminalizes heroin, crack cocaine, PCP, methamphetamine, "date rape" drugs and many other illegal substances—the hard drugs behind most child abuse, domestic violence, sexual attacks and other violent and theft-related crimes in California.

Instead of offering a real solution to drug abuse, it gives up the fight.

This dangerous and misleading initiative pretends to offer a new approach to drug treatment. In fact, it hurts legitimate drug treatment programs that work—like California's highly successful drug courts.

Proposition 36 wasn't written by drug treatment experts. It was written by a criminal defense lawyer and funded by three wealthy out-of-state backers whose ultimate goal is to legalize drugs.

Puts Potentially Violent Drug Abusers on the Street

Proponents claim Proposition 36 deals only with non-violent drug users. In reality, it will allow an estimated 37,000 felony drug abusers to remain on our streets every year—many of them addicted to drugs that often ignite violent criminal behavior.

Even drug abusers with long histories of drug dealing, parole violations and prior felonies would escape jail. Instead, they would be diverted into "treatment" programs. But the initiative includes no safeguards or licensing guidelines to ensure these programs are effective. This opens the door to fraud, abuse and "fly-by-night" half-way houses run by people interested in money, not results. Programs offering nothing more than cassette tapes or Internet "chat rooms" could qualify for tax money.

Weakens the Law Against "Date Rape" Drugs

If Proposition 36 becomes law, serial rapists, child molesters and other sex offenders convicted of possessing "date rape"

drugs could escape jail or prison. Instead, they would be given treatment.

Proposition 36 also prevents prison or jail for persons convicted of possessing illegal drugs while armed with loaded firearms, or of abusing drugs while on parole.

Proposition 36 forces employers to keep drug abusers on the job, making it easier for drug abusers to continue working as teachers, school bus drivers, even airline pilots.

Proposition 36 promises to save tax money, but former California Director of Finance Jesse Huff warns the "ultimate cost of this initiative is far higher than its promised savings. It commits taxpayers to spending \$660 million and contains millions of dollars in hidden costs for law enforcement, probation and court expenses."

Proposition 36 spends \$660 million in tax money, but prohibits any of this money from being used for drug testing. Testing is vital because it holds drug abusers accountable during treatment. Without testing, there is no way to prove treatment is working.

Sends the Wrong Message to Our Kids

Proposition 36 tells our children there are no longer any real consequences for using illegal drugs like heroin and cocaine. It sends the same message to hardcore drug abusers.

Don't be fooled. This dangerous and misleading initiative threatens public safety and hurts our ability to help drug abusers conquer their addictions with treatment programs that really work.

JOHN T. SCHWARZLOSE, *President*

Betty Ford Center

ALAN M. CROGAN, *President*

Chief Probation Officers of California

THOMAS J. ORLOFF, *President*

California District Attorneys Association

Rebuttal to Argument Against Proposition 36

Opponents think the war on drugs is working. They want to spend even more money on this failed policy. So they're distorting Proposition 36.

They claim it "decriminalizes" drugs. Not true. Possession of illegal drugs remains a felony, but for the first two convictions, the punishment is treatment, not prison.

Opponents claim Proposition 36 hurts drug courts. Not true. California's drug courts will continue, but they serve less than 5% of drug offenders.

Opponents claim drug offenders with loaded firearms will only get treatment. Not true. Carrying concealed weapons is a separate crime for which one can be jailed.

They claim offenders in treatment won't be drug tested. Not true. Judges can order testing and require offenders to pay for it and their treatment.

Opponents claim treatment programs will be "fly-by-night." Not true. Proposition 36 requires all programs to be licensed.

They try to scare you by saying sex offenders with "date rape" drugs benefit from this initiative. Not true. Only drug

possession "for personal use" qualifies; using drugs to enable rape is not "personal use."

Opponents argue that drug users must be kept on the job, including airline pilots and bus drivers. Ridiculous. Nothing in Proposition 36 prevents anyone from being fired for a drug offense, or from being fired for failing a drug test.

Opponents say the initiative has "hidden costs," but the impartial Legislative Analyst says the initiative will generate huge savings, after treatment programs are paid for. You decide who's right.

Vote YES on Proposition 36.

MAXINE WATERS

Member of U.S. Congress

PETER BANYS, *President*

California Society of Addiction Medicine

TIM SINNOTT, *President*

California Association of Alcoholism and Drug Abuse Counselors

Official Title and Summary Prepared by the Attorney General**FEES. VOTE REQUIREMENTS. TAXES.**

Initiative Constitutional Amendment.

- Requires two-thirds vote of State Legislature, or either majority or two-thirds of local electorate, to impose on any activity fees used to pay for monitoring, studying, or mitigating the environmental, societal or economic effects of that activity when the fees impose no regulatory obligation upon the payor.
- Redefines such fees as taxes.
- Excludes certain real property related fees, assessments and development fees.
- Excludes damages, penalties, or expenses recoverable from a specific event.
- Does not apply to fees enacted before July 1, 1999, or increased fees due to inflation or greater workload, as specified.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Unknown, potentially significant, reduction in future state and local government revenues from making it more difficult to approve certain regulatory charges.

Analysis by the Legislative Analyst**BACKGROUND**

State and local governments impose a variety of taxes and fees on people and businesses. Generally, taxes—such as income, sales, and property taxes—are used to pay for general public services such as education, transportation, and the courts. Fees, by comparison, typically pay for a particular service or program benefitting individuals or businesses. There are two major categories of fees:

- User fees, such as state park entrance fees and garbage fees, where the user pays for the cost of a specific service or program.
- Regulatory fees, such as fees on restaurants to pay for health inspections, smog check fees, and land development fees. Regulatory fees pay for programs which place rules upon the activities of businesses or people to achieve particular public goals.

The State Constitution has different rules regarding taxes and fees. Most notably, the process for creating

new taxes is more difficult than the process for creating new fees. As Figure 1 shows, state or local governments usually can create or increase a fee by a majority vote of the governing body. Imposing or increasing a tax, in contrast, requires approval by two-thirds of the state Legislature (for state taxes) or a vote of the people (for local taxes).

Figure 1**State and Local Fees and Taxes: Approval Requirements**

	Fee	Tax
State	Majority of Legislature	Two-thirds of Legislature
Local	Generally, a majority of the governing body.	Two-thirds of local voters (or a majority of local voters if the use of the money is not designated for a specific purpose).

In recent years, there has been disagreement regarding the difference between regulatory fees and

taxes, particularly when the money is raised to pay for a program of broad public benefit. In 1991, for example, the state began imposing a regulatory fee on those paint companies and other businesses which make or previously made products containing lead. The state uses this money to screen children at risk for lead poisoning, follow-up on their treatment, and identify sources of lead contamination responsible for the poisoning. In court, the Sinclair Paint Company argued that the regulatory fee was a tax because (1) the program provides a broad public benefit, not a benefit to the regulated business, and (2) the companies which pay the fee have no duties regarding the lead poisoning program other than payment of the fee.

In 1997, the California Supreme Court ruled that this charge on businesses was a regulatory fee, not a tax. The court said government may impose fees on companies which make contaminating products in order to help correct adverse health effects related to those products.

PROPOSAL

This proposition, which amends the State Constitution, would classify as “taxes” some new charges that government otherwise could impose as “fees.” As taxes, these charges would be subject to the more difficult approval requirements shown in Figure 1.

Which Fees Would Be Considered Taxes?

This proposition affects fees imposed for the primary purpose of addressing health, environmental, or other “societal or economic” concerns. The proposition states that charges imposed for these purposes are taxes, unless government also imposes significant responsibilities on the fee payer related to addressing the public problem.

The proposition, however, exempts from these provisions:

- Any fee authorized before July 1, 1999. (Increases in these fees to cover the cost of inflation and workload changes would be permitted.)
- Any penalties, or money paid as damages for the cost of fixing a problem associated with a specific event (such as a penalty imposed to clean up a hazardous waste spill).

Example. Under current law, the state could impose a charge on businesses which sell cigarettes and use the money to provide health services to people with smoking-induced illnesses. The state could create this charge as a “regulatory fee” by a majority vote of the Legislature. Unless the state also imposed other significant duties on the businesses, this proposition would define this charge to be a “tax.” As a tax, the cigarette charge would require approval by a two-thirds vote of the Legislature.

Constitutional Standard Regarding the Amount of a Regulatory Fee

This measure also places into the State Constitution a provision regarding the level of regulatory fees. Specifically, if a regulatory fee is greater than the reasonable cost of regulating the activities of the business or individual, the regulatory fee is a tax. In this regard, the proposition’s wording appears similar to the standard that courts currently use to distinguish between regulatory fees and taxes.

FISCAL EFFECT

This proposition’s primary fiscal effect would be to make it more difficult for government to impose new regulatory charges on businesses and individuals to pay for certain programs. Some charges which government currently may impose as fees would be considered taxes. To the extent that a newly defined tax does not obtain the higher level of approval required for a tax, government would receive less revenue than otherwise would have been the case.

The amount of future revenues potentially reduced due to the more difficult approval requirement cannot be estimated. This revenue reduction could range from minor to significant. The amount would depend on the factors discussed below.

- **Resolution of Legal Questions.** The range of fees affected by this measure would depend on court interpretation of many matters, including the purpose of future fees, the level of additional responsibilities assigned to fee payers, and any difference between the proposed standard regarding the cost of regulatory fees and the current standard.
- **Actions by Legislature and Public.** The voting decisions of local residents and the Legislature would also affect the proposition’s fiscal impact. For example, if most newly designated taxes are approved (even with the higher vote requirements) the proposition would have little effect.
- **Actions by State and Local Governments.** Government decisions regarding regulatory requirements would affect the proposition’s fiscal effect. Under this proposition, if government imposes a new fee and, in addition, imposes a significant “regulatory obligation” on the fee payer, the fee would not be redefined as a tax. (While the proposition does not define the term regulatory obligation, this term presumably includes duties such as requiring a business to change the way it makes a product or provides a service.) Thus, if governments impose significant regulatory duties *along with* new fees, the proposition may have little fiscal effect. (Implementing or participating in new regulatory programs, however, could impose other costs on businesses or individuals.)

37 FEES. VOTE REQUIREMENTS. TAXES.

Initiative Constitutional Amendment.

Argument in Favor of Proposition 37

Vote YES on Proposition 37 to STOP HIDDEN TAXES!

Vote YES on Proposition 37 to REQUIRE CITY AND COUNTY POLITICIANS TO GET VOTER PERMISSION BEFORE RAISING YOUR TAXES!

Vote YES on Proposition 37 to REQUIRE STATE POLITICIANS TO GET TWO-THIRDS LEGISLATIVE APPROVAL BEFORE RAISING YOUR TAXES!

Current law makes it easy for politicians to raise your taxes by calling them fees. What's the difference between a tax on gasoline, utilities, food, property or household products and a government-imposed fee on those necessities? Nothing! But by calling them fees, POLITICIANS CAN RAISE YOUR TAXES without a two-thirds vote of the Legislature or a vote of the people.

Proposition 37 means that politicians must be MORE ACCOUNTABLE TO TAXPAYERS. You, the taxpayer, will decide if you want to pay more in local fees on goods or services that you use. At the state level, politicians who want to create new programs funded by tax-like fees must justify those fees to a two-thirds majority of the State Legislature.

Proposition 37 will reduce the threat of bigger government, bureaucratic waste and higher prices for consumers.

WE PAY ENOUGH TAXES IN CALIFORNIA. Gasoline taxes, utility taxes, income taxes, property taxes, inheritance taxes, insurance taxes, motor vehicle taxes, cable television taxes, parking taxes, tourism taxes, telephone taxes. The list goes on and on.

TAXPAYERS SHOULD HAVE A VOICE IN HOW OUR MONEY IS SPENT. Government seems to have an endless appetite for new programs—some good, some not so good. Once in place, they are almost impossible to get rid of—and taxpayers keep paying and paying and paying. Proposition 37 makes certain taxpayers know what they're paying for.

A YES vote on Proposition 37 will make it tougher for politicians to force you to pay for their pet projects. A YES vote means YOU DECIDE which programs are worth paying for with your tax dollars.

Here are some of the fees that consumers and taxpayers could pay if we don't vote YES to stop these hidden taxes:

- Fees on fast food to pay for litter clean-up.
- Fees on aspirin to pay for poison control centers.
- Fees on fatty foods to pay for health programs.
- Fees on movie tickets to pay for parks and recreation programs.
- Fees on automobiles to pay for accident prevention and investigation.
- Fees on cell phones to study possible health effects.

On two occasions, California voters said that new taxes should be subject to a two-thirds vote of the State Legislature and local taxes should be approved by the local electorate. A YES vote on Proposition 37 says that government-imposed "fees" should be subject to the same standards as government-imposed taxes.

The California Taxpayers' Association calls Proposition 37, "the most important taxpayer protection the people of California can have."

Join taxpayers, consumers, farmers and businesses. Vote YES on Proposition 37.

LARRY McCARTHY, *President*
California Taxpayers' Association
DAVID MOORE, *President*
Western Growers Association
SUSAN CORRALES-DIAZ, *Director*
California Chamber of Commerce

Rebuttal to Argument in Favor of Proposition 37

The oil, tobacco, and alcohol companies who put this on the ballot are hiding their real goal: Polluter Protection.

THEY WANT THE TAXPAYER TO PAY, instead of those corporations responsible for environmental and health damage. That's what Prop. 37 is REALLY about.

Read their argument carefully. No facts. No law. No information. Just a SMOKESCREEN about taxes and politicians.

FACT: all local taxes and homeowner fees MUST be voted on by taxpayers, according to Proposition 13 and Proposition 218.

FACT: Proposition 13 ALREADY provides for 2/3 vote of the legislature on taxes.

FACT: the examples the proponents give are ABSURD. No one is suggesting such ridiculous fees, except the proponents. And they would be found ILLEGAL UNDER CURRENT LAW.

THE BOTTOM LINE: they don't want to pay to clean up toxic sites and other environmental and health damage they cause.

Here's what the Supreme Court said in the case which Prop. 37 would overturn:

"A reasonable way to achieve Proposition 13's goal of tax relief is to shift the costs of controlling . . . pollution from the tax-paying public to the pollution-causing industries themselves."

FACT: Proposition 37 OVERTURNS THAT TAXPAYER PROTECTION, in favor of the polluters. They want to shift their costs to the tax-paying public.

As the *Sacramento Bee* framed Proposition 37:
"WHO PAYS? . . . If not polluters, then the rest of us."
(July 6, 2000)

Join with:

- American Cancer Society
- Natural Resources Defense Counsel
- Children's Advocacy Institute
- Common Cause
- California Nurses Association
- California Tax Reform Association

NO on Proposition 37!

GAIL D. DRYDEN, *President*
League of Women Voters of California
LUCY CRAIN, M.D., M.P.H., *District Chair*
California District IX, American Academy of Pediatrics
MARGUERITE YOUNG, *California Director*
Clean Water Action

Argument Against Proposition 37

Proposition 37 asks a simple question of voters: should polluters or taxpayers pay for the cost of cleaning up pollution?

We say that polluters, not taxpayers, should pay. So we say NO on Proposition 37.

The oil, tobacco, and alcohol companies who put this on the ballot don't want to pay the costs of cleaning up their mess, or even monitoring or researching the problems they cause. *They'd rather stick you with the bill.*

That's why we call Prop. 37 *THE POLLUTER PROTECTION ACT* (www.polluterprotection.com)

OIL, TOBACCO, AND ALCOHOL CORPORATIONS CONTRIBUTED 92% OF THE MONEY BEHIND THIS MEASURE, according to their first report with the Secretary of State. They spent over \$1 million to put this on the ballot.

And oil, tobacco, and alcohol will spend millions more to pass it. Monitor their spending at www.calvoter.org.

Here's how it works:

Proposition 37 would overturn a UNANIMOUS decision of the California Supreme Court which upheld the Childhood Lead Poisoning Prevention Act. (*Sinclair Paint vs. Board of Equalization*, 1997.)

The Childhood Lead Poisoning Prevention Act enacted fees, by majority vote, on those oil and paint companies who put lead in our environment. Those fees pay for removing lead paint from the environment and treating children poisoned by lead.

Proposition 37 would make it impossible to enact such fees to address clean-up and health costs ever again. Instead, these fees would be prohibited, so that these companies would now be able to hide behind laws designed to protect ordinary taxpayers.

They want to call clean-up fees "taxes", in order to require 2/3 vote of the Legislature. These special interests know that they have enough power to get 1/3 of one house of the Legislature to block such taxes.

And, by calling clean-up fees "taxes", they know that politicians would then have to vote for "tax" increases. Since politicians are reluctant to buck these powerful interests, they can now say they are against "tax increases". That's how special interest protection works.

As the *Sacramento Bee* warned, "The initiative won't change the underlying reality, which is that someone has to pay the costs of mitigating pollution; if not polluters, then the rest of us." (Editorial entitled, "Who Pays? Voters to decide who gets the bill for pollution," July 6, 2000.)

Here's the type of fees which would be banned if Proposition 37 passes:

- Fees on oil companies to clean up MTBE in our water supply.
- Fees on tobacco companies to research treatment for smoking-related diseases.
- Fees on liquor stores and stripclubs to pay for police protection in neighborhoods.
- Fees on airlines to monitor noise caused by airport expansion.

AND IF THE POLLUTERS DON'T PAY, WE, THE TAXPAYERS, WILL! If Prop. 37 passes, your taxes will pay for the problems that tobacco, oil, and other polluting companies cause.

Join California Professional Firefighters, Coalition for Clean Air, Sierra Club, Congress of California Seniors, Consumer Federation of California, California Nurses Association, and the California Association of Professional Scientists.

Vote NO on the Polluter Protection Act!

CLANCY FARIA, *President*

Peace Officers Research Association of California

LENNY GOLDBERG, *Executive Director*

California Tax Reform Association

JON RAINWATER, *Executive Director*

California League of Conservation Voters

Rebuttal to Argument Against Proposition 37

Opponents want you to think Proposition 37 is about pollution and the environment. It isn't. Proposition 37 doesn't change anything when it comes to holding companies responsible for damage they cause to the environment.

It's about politicians taxing everyday products without our permission.

If you believe TAXPAYERS SHOULD HAVE A VOICE IN HOW THEY'RE TAXED, you should vote YES on Proposition 37.

WE PAY ENOUGH FOR ESSENTIALS LIKE FOOD AND GASOLINE without politicians adding a hidden tax for some special interest program.

Proposition 37 is simple: IT WILL STOP LOCAL POLITICIANS FROM TAXING CONSUMERS WITHOUT OUR PERMISSION!

In nearly every case, the taxes addressed by Proposition 37 are ADDED DIRECTLY TO THE PRICE YOU PAY FOR THINGS LIKE FOOD, GASOLINE, UTILITIES, TELEPHONE, HOUSEHOLD PRODUCTS, MEDICINE, CABLE TV AND CELL PHONES.

The last thing we need when we have billion dollar budget surpluses is another way for politicians to raise taxes. If local

politicians propose a tax increase, Proposition 37 means YOU HAVE THE OPPORTUNITY TO VOTE ON IT. At the state level, a two-thirds vote of the Legislature is necessary to raise your taxes.

Voters said twice before that tax increases should be subject to voter approval and greater scrutiny by the State Legislature. Proposition 37 CLOSES A LOOPHOLE THAT ALLOWS POLITICIANS TO AVOID ACCOUNTABILITY to taxpayers and voters and restores our right to vote on higher taxes.

Protect your right to decide if you want to pay more in taxes.

Vote YES on Proposition 37.

LARRY MCCARTHY, *President*

California Taxpayers Association

JACK STEWART, *President*

California Manufacturers and Technology Association

RUTH LOPEZ WILLIAMS, *Chair*

Latin Business Association

38

SCHOOL VOUCHERS. STATE-FUNDED PRIVATE AND RELIGIOUS EDUCATION. PUBLIC SCHOOL FUNDING.

Initiative Constitutional Amendment.

Official Title and Summary Prepared by the Attorney General**SCHOOL VOUCHERS. STATE-FUNDED PRIVATE AND RELIGIOUS EDUCATION. PUBLIC SCHOOL FUNDING.**

Initiative Constitutional Amendment.

- Authorizes annual state payments of at least \$4000 per pupil for private and religious schools phased in over four years.
- Restricts state and local authority to require private schools to meet standards, including state academic requirements.
- Limits future health, safety, zoning, building restrictions on private schools.
- Requires release of composite test scores of voucher pupils.
- Permits Legislature to replace current voter-enacted constitutional funding priority for public schools (Proposition 98) with minimum formula based on national per-pupil average, as defined by terms of this measure.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Short-term (first several years) state costs averaging between zero and \$1.1 billion annually.
- Longer-term (within five years to ten years) net fiscal effect on state funding of K–12 schools is largely unknown. Annual impact likely to range from costs of about \$2 billion to savings of over \$3 billion, depending on the number of pupils who shift from public schools to private schools.
- Debt service savings to the state and school districts potentially in excess of \$100 million annually after 10 years to 20 years, resulting from reduced need for construction of public schools.
- Potential loss of federal funds in the hundreds of millions of dollars annually.

PROPOSAL

This proposition, which amends the State's Constitution, makes major changes in public funding for K–12 education. These changes are described below.

Scholarships (Vouchers) for School-Age Children

Currently, about six million pupils attend kindergarten through 12th grade (K–12) in California public schools. In addition, about 650,000 pupils are enrolled in K–12 grades in various private schools that are not part of the public school system. The state and local school districts generally do not provide funding for pupils attending K–12 private schools. (The only exception is for a small number of children with physical, mental, or learning disabilities who are placed in certain private schools.)

This proposition requires the state to offer an annual scholarship (also known as a voucher) to every school-age child in California. The scholarships are grants of aid to parents on behalf of their children. Scholarship checks would be made out to parents, but sent to private schools selected by the parents. These checks could only be cashed to pay tuition and other educational fees at schools which have chosen to become "scholarship-redeeming" schools. The scholarships would not be considered income for state tax purposes.

In order to redeem scholarships, a private school cannot "advocate unlawful behavior" or discriminate on the basis of race, ethnicity, color, or national origin. The proposition does not prohibit a private school from restricting admission on other bases, including sex, religion, ability, and disability.

Each year the scholarship amount would be the *greater* of:

- \$4,000 per pupil; or
- One-half of national average spending per pupil in public schools (as defined by the proposition); or
- One-half of California's spending per public school pupil (as defined by the proposition).

We estimate, using the proposition's definition of spending per pupil, that currently both California and national spending per pupil is somewhat less than \$8,000. As a result, the scholarship level initially would be set at the \$4,000 level. Our review indicates that the scholarship level would rise above \$4,000 within the near future.

Starting with the first year the proposition would be in effect (the 2001–02 school year), all pupils who were previously in *public* schools and all children entering kindergarten would be eligible for scholarships. For students who were previously in *private* schools, the proposition phases in eligibility over a four-year period (see Figure 1).

Figure 1

Phase-In of Scholarships for Existing Private School Students

School Year	Private School Grades
2001–02	Kindergarten
2002–03	Kindergarten – 2nd Grade
2003–04	Kindergarten – 8th Grade
2004–05	Kindergarten – 12th Grade

If the tuition and fees at a private school are less than the amount of the scholarship, the state would put the difference in an account to be held in trust for the pupil's future tuition and fee expenses at any scholarship-redeeming school as well as any college or university. A student would be eligible to use the trust account until his or her 21st birthday (if not enrolled in school at that time) or else through completion of an undergraduate degree.

Regulations Affecting Private Schools

Under current law, private schools generally operate under laws and regulations that are significantly less restrictive than those applied to public schools. The Legislature and local governments may change these private school laws and regulations—in most cases by a majority vote of the state or local legislative body.

This proposition affects the regulation of private schools in two main ways. First, all *state* laws that applied to private schools as of January 1, 1999—and all *local* laws that are in effect as of the November 2000 general election—would remain in effect. Second, the proposition imposes significant new restrictions on the ability of government to adopt new laws and regulations affecting private schools. Any new state laws would require a three-fourths vote of the Legislature. Local governments could impose new health, safety, or land use regulations on private schools only upon a two-thirds vote by the local governing body *and* a majority vote in an election held in the affected area.

Testing

This proposition requires scholarship-redeeming schools to administer the same standardized tests required of public schools for measuring academic achievement relative to pupils nationally. Test results for each grade would be released to the public. Individual pupil results would be released only to a parent or guardian.

Changes in Minimum Funding Level for Public Schools

Currently, Proposition 98, approved by the voters in 1988, establishes a minimum funding level for public schools and community colleges (K–14 education). Proposition 98 permits the state to spend more, or under specified circumstances less, than this minimum level. The current minimum funding level for K–14 education is \$42 billion. This minimum funding level increases each year generally with changes in public school attendance and growth in the state's economy. (K–14 education also receives additional funds from sources that are "outside" of Proposition 98, such as federal funds and lottery funds.)

This proposition creates an alternative minimum funding level for California's public K–12 schools that would be based on a national average of per-pupil funding of public schools. In the first fiscal year that per-pupil funding provided to California's public schools equals or exceeds the national average, this alternative

guarantee would permanently replace the Proposition 98 guarantee. These per-pupil numbers would be calculated each year by the state's Department of Finance, based on definitions of funding specified in this proposition.

This proposition's national average funding guarantee does not include funds for community colleges, adult education, or most child care programs, which currently are funded under the Proposition 98 guarantee. Thus, under the national average funding guarantee, these programs would have to compete for funding with state programs generally, rather than against K–12 education programs. It is not known how this would affect funding over time for community colleges, adult education, or child care programs.

FISCAL EFFECT

This proposition would have major fiscal impacts on the state and local school districts. The size of these fiscal impacts would depend on legal interpretations of the proposition and such factors as:

- *How people respond to the availability of scholarships.* For example, the fiscal effect would depend on how many parents choose to send their children to scholarship-redeeming schools, how much room existing private schools make for new scholarship pupils, and to what extent new scholarship-redeeming schools are established.
- *What actions the Legislature takes in response to the proposition.* For example, the fiscal effect would depend on the amount of funding provided to K–12 public schools (which, in turn, could affect the scholarship level under the terms of this proposition).
- *What actions local school districts take in response to the proposition.* For example, the fiscal effect would depend on actions school districts take to maintain public school enrollments, such as the formation of charter public schools as an alternative to private schools or other education reforms.

Below we discuss the significant fiscal impacts of the proposition.

State Impacts

The primary effects of the proposition on the state involve (1) costs for providing scholarships to pupils who would have attended private schools regardless of this proposition and (2) net savings related to pupils who move from public schools to scholarship-redeeming private schools.

- **Costs for Existing Private School Pupils.** We assume that the initial scholarship amount would be \$4,000 and the vast majority of existing private schools would become scholarship-redeeming schools. Thus, once all existing private school pupils are eligible (beginning in the proposition's fourth year),

the state would have costs of at least \$4,000 per child for almost 650,000 children who would have attended private school anyway.

- **Net Savings From Public School Departures.** As children move from public schools to scholarship-redeeming schools, the state will save money that would have been spent on them in public schools. We estimate that the state initially would save almost \$7,000 for each pupil leaving the system. (As noted below, there are other savings, namely capital outlay savings, that would not be on a per-pupil basis and, therefore, are not reflected in this estimate.) Thus, the net savings would be almost \$3,000 for each departing pupil (nearly \$7,000 in savings less \$4,000 in scholarship costs). Each of these amounts would grow over time with inflation and economic growth.

The net effect of these costs and savings factors would be very different in the short term and the long term.

Short-Term Effects. There are likely to be net costs to the state for the first several years. This is because the state would have to pay for scholarships for almost 650,000 existing private school pupils. As described above, the proposition phases in scholarships for pupils already in private schools over a four-year period. At the same time, however, savings to the state would start at a relatively low level and increase as the number of pupils shifting from public to scholarship-redeeming schools increases. While we cannot predict what these net state costs would be, they are likely to average as high as \$1.1 billion annually for the first several years (if few pupils leave the public schools) to essentially no costs (if many pupils leave).

Long-Term Effects. Within five to ten years, we believe most people and schools will have responded to this proposition. That is, existing private schools will have decided whether to become scholarship-redeeming schools and whether to serve additional pupils, people will have decided whether to start scholarship-redeeming schools, and parents will have decided on the placement of their children in schools.

Figure 2 summarizes our estimates of the potential long-term state impacts of the proposition. In estimating these impacts, the single most important assumption is the proportion of public school pupils who shift to scholarship-redeeming schools. While it is impossible to predict this number, we believe a reasonable range in the long run would be between 5 percent and 25 percent. As the figure shows, the annual savings resulting from these shifts could range from \$1.3 billion to \$6.7 billion. The figure also shows that in all cases the state would have costs of about \$3.3 billion each year to provide scholarships to existing private school pupils.

Figure 2 shows the net state impact under different assumptions about the shift of pupils from public to private schools. It indicates that:

- With a 5 percent shift, there are net state costs of about \$2 billion annually.

- With a 15 percent shift, on the other hand, the state would realize net savings of almost \$700 million annually.
- With a 25 percent shift, the state would realize net savings of over \$3 billion annually.

Figure 2

Net Fiscal Impact on the State—Long Term Under Different Assumptions About Pupil Shifts From Public to Private Schools

Level of Shift From Public Schools	Percent of Shift	Number of Pupils Shifting	Savings From Shifts	Costs for Existing Private School Pupils	Net Impact
Low end of range	5%	300,000	\$1.3 billion	\$3.3 billion	\$2 billion annual costs
Middle of range	15	900,000	4.0 billion	3.3 billion	\$700 million annual savings
High end of range	25	1,500,000	6.7 billion	3.3 billion	\$3.4 billion annual savings

Other State Fiscal Impacts. In addition to the primary costs and savings identified above, the proposition would have the following impacts:

- **Impact of the New National Average Guarantee.** Our review indicates that the national average minimum funding guarantee proposed by this proposition would soon replace the Proposition 98 minimum funding guarantee. Over time, the national average guarantee could require the state to spend either more or less per pupil than under Proposition 98, depending generally on how California's economy performs relative to the other states.
- **Capital Outlay Savings.** In addition to funding school operating costs, the state provides money to local school districts (through the issuance of state general obligation bonds) to build and renovate facilities. By shifting students from public schools, this proposition would reduce local demand for this state funding. As a result, the state would realize significant future savings in bond debt service costs. The amount of these savings is unknown, but could be in excess of \$100 million annually in about 10 years to 20 years.
- **Administrative Costs.** The state would have annual costs of about \$10 million to administer the scholarship program and the trust accounts (for scholarship amounts in excess of tuition). An

unknown portion of these costs could be paid from interest earnings on the trust accounts.

Local Impacts

Local school districts would also be affected by the shift of public school students to scholarship-redeeming schools. The impact would depend primarily on the extent to which the loss of state funding resulting from fewer pupils is matched by offsetting cost reductions. We estimate that school districts would lose, on average, almost \$7,000 in state funding for every pupil who transfers to a scholarship-redeeming school. (The actual amount per pupil would vary from district to district.)

Generally, district cost reductions would offset most or all of these funding reductions. However, the amounts by which districts could reduce costs as a result of having to teach fewer pupils would vary significantly from district to district. For example, the proportion of higher-cost pupils—those with certain disabilities or other special needs—probably will increase in some districts as a result of the transfer of large numbers of lower-cost pupils to scholarship-redeeming schools, resulting in higher average per-pupil costs. This would require those school districts either to reduce costs by finding new efficiencies, reduce programs, or find new sources of funding.

Capital Outlay Savings. As with the state, local school districts provide money (through the issuance of bonds and the use of various other funding sources) to build and renovate facilities. By shifting students from public schools, this proposition would reduce the demand for this funding. As a result, districts would realize significant future savings in bond debt service and other costs. The amount of these savings is unknown, but could be in excess of \$100 million annually statewide in about 10 years to 20 years.

Loss of Federal Funds. Each year California receives almost \$4 billion from the federal government to support a variety of public school programs. For many of these programs, the amount received by the state depends on the number of enrolled *public* school pupils. Thus, this proposition would cause the state and local school districts to lose federal funds, to the extent the proposition leads to fewer pupils in the public schools. This potential revenue loss is unknown but could be in the hundreds of millions of dollars annually.

County Administrative Costs. We estimate that county offices of education would have costs of several million dollars annually (statewide total) to administer reporting requirements under this proposition.

38 SCHOOL VOUCHERS. STATE-FUNDED PRIVATE AND RELIGIOUS EDUCATION. PUBLIC SCHOOL FUNDING.

Initiative Constitutional Amendment.

Argument in Favor of Proposition 38

We can no longer stand by while bureaucrats prop up a crumbling education system that traps millions of California's children in failing schools.

Consider:

- California ranks at the bottom of the nation in reading and math.
- Over 30 percent of California's ninth graders never graduate from high school—forever being burdened with the label of “dropout.”
- California's education system is riddled with waste and abuse like the \$200 million Belmont High School in Los Angeles—never to be occupied because education bureaucrats allowed it to be built on toxic land.
- State colleges are forced to provide high school English and math classes to over half of the freshmen who are unable to complete basic assignments.

CONTROL OVER THE EDUCATION AND DESTINY OF CALIFORNIA'S CHILDREN MUST BE TAKEN FROM BUREAUCRATS AND GIVEN TO PARENTS. PARENTS MUST HAVE THE RIGHT AND FINANCIAL ABILITY TO REMOVE THEIR CHILDREN FROM FAILING SCHOOLS. THESE KIDS ARE CALIFORNIA'S FUTURE, AND IT'S ONLY FAIR THAT EVERY CHILD HAS THE OPPORTUNITY TO LEARN AT THE SCHOOL THAT IS BEST FOR HIM OR HER.

Prop. 38 holds schools accountable to parents and taxpayers. It helps public schools, increases per pupil spending, gives parents a choice, provides healthy competition, and offers every kid a fair chance.

Prop. 38 offers parents in California a \$4,000 school voucher to give their child the best possible education. It also allows parents to save any difference between \$4,000 and a lower tuition amount for future education expenses for their child, including college.

Prop. 38 supports California's public schools by guaranteeing they will always be funded at or ABOVE the national average in dollars per pupil once this level is reached.

Prop. 38 has been very carefully written to result in savings and provide a better education for all of California's children.

Prop. 38 will improve the learning environment and result in smaller, safer classes where teachers can give each student more attention.

Prop. 38 will force public schools to compete for students, thereby encouraging public schools to improve their performance.

Prop. 38 offers all children—regardless of race, gender or socioeconomic status—the opportunity to reach their academic potential and achieve success.

Prop. 38 holds schools accountable to parents and taxpayers by requiring schools to provide financial statements and measurements of students' academic performance.

Prop. 38 provides important protections for private schools from unnecessary and onerous government regulations.

Prop. 38 gives parents the freedom to choose how to educate their child.

Too many of California's children are trapped in a low-performing education system that wastes money and robs children of their chance for a bright future. Proposition 38 will offer them real choices and ensure a quality education for all of California's children.

Don't let another California child spend 13 years in failing schools.

Please vote yes on Prop. 38. A REAL CHOICE FOR EVERY FAMILY. A FAIR CHANCE FOR EVERY CHILD.

CARMELA GARNICA, *Teacher*
Escuela de la Raza Unida
TIM DRAPER
Parent
JOHN MCCAIN
United States Senator

Rebuttal to Argument in Favor of Proposition 38

THE TRUTH ABOUT PROPOSITION 38
PROPOSITION 38 WILL HURT TAXPAYERS.

The Howard Jarvis Taxpayers Association has supported other voucher proposals but *opposes* Proposition 38.

Proposition 38 means that money for vouchers will come from cuts in police, fire, health care and similar programs, *or from new taxes*.

Proposition 38 could result in costs of billions of dollars to taxpayers.

Vote No on Proposition 38.

MARK DOLAN, *Chairman*
Howard Jarvis Taxpayers Association

PROPOSITION 38 WILL HURT PRIVATE SCHOOLS.

Private and parochial schools that value their independence do *not* want government funding.

Proposition 38 is deceptively written, promising taxpayer funding, but without the customary financial accountability that

taxpayers have a right to expect. While we would be surprised that taxpayers would stand for such a system, our opposition to Proposition 38 is based on what we hold to be even more fundamental issues.

Many private schools include religious instruction throughout the school day. The initiative cannot guarantee that religious instruction will not be restricted if we accept public dollars.

And frankly, as Alan J. Reinach, Esq., Director of Public Affairs and Religious Liberty for the 15,000-student California Seventh Day Adventist schools says, “Taxpayers must not be forced to pay for religious instruction with which they may disagree.”

Please vote “No” on Proposition 38.

JOSEPH J. BARTOSCH, *Headmaster*
Sacramento Preparatory Academy
CRAIG GARBE, *Headmaster*
Cornerstone Christian Schools

Argument Against Proposition 38

LET'S FIX OUR PUBLIC SCHOOLS, NOT ABANDON THEM

California's children need the best teachers, in small classrooms, teaching to high standards, in schools that are accountable.

But Prop. 38 will not achieve any of these goals.

Some of what you are about to read about Prop. 38 may seem incredible. But through error or some other motivation, the authors of Prop. 38 have opened up extraordinary loopholes that create a system of unaccountable voucher schools, while hurting the vast majority of kids who go to public schools.

The California State PTA says, "Prop. 38 will do nothing to improve our public schools but will hurt neighborhood schools by cutting their budget."

Prop. 38 gives parents whose kids are already in private schools \$4000 to go to voucher schools, *costing California taxpayers between \$2-\$3 billion per year.* And where do you think that money will come from? Taxpayers.

But not one penny of the billions spent on Prop. 38 will be used to make our children's schools better.

Not every child will have access to this new system of voucher schools. That is because voucher schools will be able to reject students who apply based on their gender, their ability to pay and their academic and physical abilities.

Governor Gray Davis calls Prop. 38 "a risky proposition that will take money away from public education and erode accountability. It's a major step backwards."

VOUCHER SCHOOLS ARE NOT ACCOUNTABLE TO TAXPAYERS

The California Business Roundtable says, "the full text of Prop. 38 virtually prohibits any real state or local regulation of voucher schools that make them accountable to taxpayers."

Voucher schools are not required to have their finances audited and can make decisions on how to spend our tax dollars in secret behind closed doors.

Prop. 38 gives taxpayers' money to voucher schools that are not accountable to the taxpayers.

California permits parents to home school their children, but under Prop. 38, this practice could now lead to fraud and abuse.

VOUCHER SCHOOLS ARE NOT REQUIRED TO MEET MEANINGFUL EDUCATIONAL STANDARDS

The California State Superintendent of Public Instruction Delaine Eastin says, "Prop. 38 allows fly-by-night operators to open voucher schools and hire teachers without teaching credentials, without training and without experience educating children."

Prop. 38 will prevent the state from requiring any meaningful educational standards for voucher schools.

PROPOSITION 38 HURTS PUBLIC AND PRIVATE SCHOOLS

Prop. 38 is opposed by public and private educators because it will cut funding for public schools while raising tuition for children that already attend private and parochial schools. A private school cannot stay private if it takes public money.

Prop. 38 will *not* provide better teachers, smaller classrooms, high standards for our schools or accountability to taxpayers.

Prop. 38 . . . an expensive experiment our children can't afford. Vote No on Prop. 38.

LAVONNE McBROOM, *President*
California PTA

LOIS WELLINGTON, *President*
Congress of California Seniors

WAYNE JOHNSON, *President*
California Teachers Association

Rebuttal to Argument Against Proposition 38

There's one simple truth the opponents of school choice always avoid: vouchers work.

Democrat Mayor John Norquist of Milwaukee, a city that has had a voucher program for ten years, told California radio listeners, "All of the things that the critics pointed to as problems haven't happened. It has worked really well. And it's also helped the public schools focus more on higher quality that can attract positive attention from parents."

The education establishment talks about accountability to its bureaucracy, but voucher schools are accountable to the people that matter most: parents and students.

The education establishment says vouchers will damage public schools, when in reality, Prop. 38 has a stronger public school funding guarantee than current law and will lead to smaller, safer classrooms.

The education establishment says vouchers will leave vulnerable children behind. Mayor Norquist says those who benefit most from Milwaukee's voucher program are "kids with learning disabilities, kids that aren't doing well in public school."

School vouchers have a proven track record of success.

Why are the people in charge of the current failed education system afraid of families choosing the best schools for their children?

The education establishment doesn't mind pouring taxpayer money into bad schools, but in opposing Prop. 38 they refuse to allow parents to put money into good schools.

Prop. 38 invests in children.

Give parents a choice. Give kids a chance.

Vote yes on Prop. 38.

JOHN O. NORQUIST, *Mayor*
City of Milwaukee, Wisconsin

DR. ALEXANDRIA CORONADO, *Member*
Anaheim School Board

VIRGINIA HALL
Retired Public School Teacher

39

SCHOOL FACILITIES. 55% LOCAL VOTE. BONDS, TAXES. ACCOUNTABILITY REQUIREMENTS.

Initiative Constitutional Amendment and Statute.

Official Title and Summary Prepared by the Attorney General

SCHOOL FACILITIES. 55% LOCAL VOTE. BONDS, TAXES. ACCOUNTABILITY REQUIREMENTS.

Initiative Constitutional Amendment and Statute.

- Authorizes bonds for repair, construction or replacement of school facilities, classrooms, if approved by 55% local vote for projects evaluated by schools, community college districts, county education offices for safety, class size, and information technology needs.
- Accountability requirements include annual performance and financial audits on use of bond proceeds.
- Prohibits use of bond proceeds for salaries or operating expenses.
- Requires facilities for public charter schools.
- Authorizes property taxes in excess of 1% limit by 55% vote, rather than current two-thirds, as necessary to pay school bonds.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Increased debt costs for many school districts, depending on local voter approval of future school bond issues (these costs would vary by individual district). District costs throughout the state could total in the hundreds of millions of dollars each year within a decade.
- Potential longer-term state savings to the extent local school districts assume greater responsibility for funding school facilities.

Analysis by the Legislative Analyst

BACKGROUND

Property Taxes

The California Constitution limits property taxes to 1 percent of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

School Facilities

Kindergarten Through Twelfth Grade (K–12). California public school facilities are the responsibility of over 1,000 school districts and county offices of education. Over the years, the state has provided a significant portion of the funding for these facilities through the state schools facilities program. Most recently, this program was funded with \$6.7 billion in state general obligation bonds approved by the voters in November 1998.

Under this program, the state generally pays:

- 50 percent of the cost of new school facilities.
- 80 percent of the cost of modernizing existing facilities.
- 100 percent of the cost of either new facilities or modernization in "hardship cases."

In addition to state bonds, funding for school facilities has been provided from a variety of other sources, including:

- School district general obligation bonds.
- Special local bonds (known as "Mello-Roos" bonds).
- Fees that school districts charge builders on new residential, commercial, and industrial construction.

Community Colleges. Community colleges are part of the state's higher education system and include 107 campuses operated by 72

local districts. Their facilities are funded differently than K–12 schools. In recent years, most facilities for community colleges have been funded 100 percent by the state, generally using state bonds. The state funds are available only if appropriated by the Legislature for the specific facility. There is no requirement that local community college districts provide a portion of the funding in order to obtain state funds. However, community college districts may fund construction of facilities with local general obligation bonds or other nonstate funds if they so choose.

Charter Schools

Charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Education. They are exempt from most state laws and regulations affecting public schools.

As of June 2000, there were 309 charter schools in California, serving about 105,000 students (less than 2 percent of all K–12 students). The law permits an additional 100 charter schools each year until 2003, at which time the charter school program will be reviewed by the Legislature. Under current law, school districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

PROPOSAL

Provisions of the Proposition

This proposition (1) changes the State Constitution to lower the voting requirement for passage of local school bonds and (2) changes existing statutory law regarding charter school facilities.

The constitutional amendments could be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K–12 school districts, community college districts, and county offices of education.

Change in the Voting Requirement. This proposition allows (1) school facilities bond measures to be approved by *55 percent* (rather than *two-thirds*) of the voters in local elections and (2) property taxes to exceed the current 1 percent limit in order to repay the bonds.

This 55 percent vote requirement would apply only if the local bond measure presented to the voters includes:

- A requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities.
- A specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list.
- A requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure.

Charter School Facilities. This proposition requires each local K–12 school district to provide charter school facilities sufficient to accommodate the charter school's students. The district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues—including state and local bonds. The proposition also provides that:

- The facilities must be reasonably equivalent to the district schools that these students would otherwise attend.
- The district may charge the charter school for its facilities if district discretionary revenues are used to fund the facilities.
- A district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students.

Provisions of Related Legislation

Legislation approved in June 2000 would place certain limitations on local school bonds to be approved by 55 percent of the voters. The provisions of the law, however, would take effect only if this proposition is approved by the voters. These provisions require that:

- Two-thirds of the governing board of a school district or community college district approve placing a bond issue on the ballot. (Current law requires a majority vote.)
- The bond proposal be included on the ballot of a statewide primary or general election, a regularly scheduled local election, or a statewide special election. (Currently, school boards can hold bond elections throughout the year.)
- The tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a school district), or \$25 (for a community college district), per \$100,000 of taxable property value. (Current law does not have this type of restriction.)
- The governing board of a school district or community college district appoint a citizens' oversight committee to inform the public concerning the spending of the bond revenues. (Existing law does not require appointment of an oversight committee.)

These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

FISCAL EFFECT

Local School Impact

This proposition would make it easier for school bonds to be approved by local voters. For example, between 1986 and June 2000:

- **K–12 Schools.** K–12 bond measures totaling over \$18 billion received the necessary two-thirds voter approval. During the

same period, however, over \$13 billion of bonds received over 55 percent but less than two-thirds voter approval and therefore were defeated.

- **Community Colleges.** Local community college bond measures totaling almost \$235 million received the necessary two-thirds voter approval. During the same period, though, \$579 million of bonds received over 55 percent but less than two-thirds voter approval and therefore were defeated.

Districts approving bond measures that otherwise would not have been approved would have increased debt costs to pay off the bonds. The cost to any particular district would depend primarily on the size of the bond issue. (See box for the impact on a typical property owner.) The total cost for all districts throughout the state, however, could be in the hundreds of millions of dollars annually within a decade.

How Would the Proposition Affect the Average Homeowner?

As noted in the text, this proposition would only have an impact on property owners in cases where a school district bond issue is approved by less than two-thirds but at least 55 percent of the voters. In these instances, the impact on a property owner (business or homeowner) would depend on two factors: (1) the tax rate "add-on" needed to pay the debt on the bonds and (2) the assessed value of a particular property.

The following illustrates the possible impact of the proposition. A homeowner lives in a unified school district that places a bond before the voters. The bond is approved with a 58 percent vote and the size of the bond requires a tax rate levy of \$60 per each \$100,000 of assessed value. If the assessed value of the owner's home is the statewide average (about \$170,000), the owner would pay about \$100 in additional property taxes each year for the life of the bond (typically between 20 and 30 years).

State Impact

The proposition's impact on state costs is less certain. In the near term, it could have varied effects on demand for state bond funds. For instance, if more local bonds are approved, fewer local jurisdictions would qualify for hardship funding by the state. In this case, state funding would be reduced from 100 percent to 50 percent of the cost for a new local school. On the other hand, there are over 500 school jurisdictions that do not currently participate in the state school facilities program. To the extent the reduced voter-approval requirement encourages some of these districts to participate in the state program, demand for state bond funds would increase.

In the longer run, the proposition could have a more significant fiscal impact on the state. For instance, if local districts assume greater funding responsibility for school facilities, the state's debt service costs would decline over time.

The actual impact on state costs ultimately would depend on the level of state bonds placed on the ballot in future years by the Legislature and the Governor, and voters' decisions on those bond measures.

Charter Schools

The requirement that K–12 school districts provide charter schools with comparable facilities could increase state and local costs. As discussed above, districts are currently required to provide facilities for charter schools only if unused district facilities are available. The proposition might lead many districts to increase the size of their bond issues somewhat to cover the cost of facilities for charter schools. This could also increase state costs to the extent districts apply for and receive state matching funds. The amount of this increase is unknown, as it would depend on the availability of existing facilities and the number and types of charter schools.

39 SCHOOL FACILITIES. 55% LOCAL VOTE. BONDS, TAXES. ACCOUNTABILITY REQUIREMENTS. Initiative Constitutional Amendment and Statute.

Argument in Favor of Proposition 39

FIX CLASSROOMS.

FIX THE WAY SCHOOLS SPEND MONEY.

Taxpayers, seniors, teachers, businesses, and parents agree: If we vote "YES" on Proposition 39, we can fix the way our schools spend money AND fix our schools!

We're all aware of financial abuses in some of our schools—the waste, bureaucracy and mismanagement. If we're going to make California's schools among the best in the nation, we must make our schools accountable for the way they spend our tax dollars.

PASSING PROP. 39 WILL:

HOLD ADMINISTRATORS ACCOUNTABLE FOR SPENDING SCHOOL BOND CONSTRUCTION MONEY:

- Prohibit using funds for administration or bureaucracy.
- Require school administrators to produce a detailed list of specific school construction and repair projects to be funded.
- Require schools to undergo two rigid, independent financial and performance audits every year.
- Require bonds to be passed by a tough 55% super-majority vote.

ADD MORE PROTECTION FOR TAXPAYERS AND HOMEOWNERS:

When Prop. 39 passes, legislation automatically goes into effect that:

- Mandates citizen watchdog committees of local taxpayers, homeowners, parents and business leaders to make sure the money is not wasted.
- Empowers watchdog committees to stop any project if audits show wasteful or unauthorized spending, inform the public of abuse or waste and vigorously investigate and prosecute violations.
- Prohibits these bond votes except at regularly scheduled elections.
- Caps and limits how much property taxes can be raised by a local school bond.

"Proposition 39 and supporting legislation impose a strict cap on property tax increases which may result from an election held

under the provisions of this initiative. For an average California home, the cost would be less than \$100 per year. Based on my thorough analysis, the claim of a 'doubling of property tax' is significantly overstated and historically inaccurate."

Thomas W. Hayes, Former State Treasurer and Auditor General
HELP FIX OUR SCHOOLS.

- Our classrooms are overcrowded—California has more students per classroom than any other state except one.
- If we're going to reduce class size, we've got to build more classrooms. Just to keep up with the school population growth expected over the next ten years, experts say we'll need 20,000 new classrooms.
- Students in some districts go to class in trailers or in cafeterias, libraries and gyms that have been converted to classrooms.
- Many schools need repairs and updating so children can use computers and get connected to the Internet where they can learn to use the tools they will need to succeed in the future.

"This initiative helps fix classroom overcrowding and provides much needed repairs of unsafe and outdated schools. It mandates the strictest accountability requirements to ensure that bond funds are spent only on schools and classrooms, protecting taxpayers."

Gail D. Dryden, President, League of Women Voters of California
JOIN GOVERNOR GRAY DAVIS AND FORMER GOVERNOR PETE WILSON, SENIORS, TEACHERS, PARENTS, BUSINESS AND COMMUNITY LEADERS, TAXPAYERS, LABOR, ETHNIC AND PUBLIC SAFETY ORGANIZATIONS:

VOTE YES ON PROPOSITION 39.

LAVONNE MCBROOM, *President*

California State PTA

JACQUELINE N. ANTEE

AARP State President

ALLAN ZAREMBERG, *President*

California Chamber of Commerce

Rebuttal to Argument in Favor of Proposition 39

Incredible! The very heart of the Arguments FOR Proposition 39 are about provisions NOT IN PROPOSITION 39!

Provisions NOT IN 39:

- NO watchdog committees.
- NO election rules.
- NO limits on property tax increases.

The ENTIRE SECTION titled "More Protections for Taxpayers and Homeowners" is NOT IN 39! These provisions were added by 39's promoters in the Legislature AFTER 39 was filed. They can be removed or changed anytime WITHOUT VOTER APPROVAL.

United States Justice Foundation Executive Director Gary Kreep certifies:

"The Watchdog Committees, Election Rules and Tax Limitations referenced in the promoters' Arguments are not in 39. Therefore, these provisions may be waived anytime without voter approval."

These "Special Provisions" risks are unnecessary! GOOD BONDS PASS NOW. Since 1996, 62% passed, with two-thirds voter approval. \$13 Billion worth! Do you *really* want every bond, good or bad, approved? Each bond creates a new lien on your home, usually for 30 years.

Remember, PROPOSITION 39 has NO PROPERTY TAX LIMITS. Meaning:

"Proposition 39 could realistically lead to actions more than doubling current property taxes, putting them back to pre-1978 levels."

Joseph Skeeahan, Certified Public Accountant

Join seniors, educators, parents, small businesses, newspapers, Democrats, Republicans, Independents, homeowners and renters throughout California.

HELP SAVE OUR HOMES.

VOTE NO ON PROPOSITION 39.

GIL A. PEREZ

Retired School District Administrator

JOAN C. LONGOBARDO, *Governing Board Member*

Covina-Valley Unified School District

Does promoters' Rebuttal, to right, raise questions? Have other questions? Want to help Save Our Homes? Get answers NOW. Visit: SaveOurHomes.com. We, 39's opponents, wrote "NOTICE TO VOTERS", which follows, to help voters understand 39's "Special Provisions" risks.

JON COUPAL, *Chairman*

*Save Our Homes Committee, Vote No on Proposition 39,
a Project of the Howard Jarvis Taxpayers Association*

Argument Against Proposition 39

NOTICE TO VOTERS: After Proposition 39 was filed, its promoters introduced a special law in the Legislature adding provisions which only take effect if Proposition 39 passes. Therefore, all the changes which will occur if 39 passes are not in Proposition 39 itself. These added provisions DO NOT appear in *Proposition 39: Text of the Proposed Law* in this Voter Information Guide. If Proposition 39 passes, these added "Special Provisions" could be changed or revoked anytime in the future without voter approval.

ARGUMENTS AGAINST PROPOSITION 39:

The "Special Provisions," dealing with critically important tax increase and accountability issues, were either added because of drafting errors, or because the promoters wanted to be free to make changes after the election without voter approval.

In either case, these "Special Provisions" create huge risks. What changes will be made later WITHOUT VOTER APPROVAL?

These "Special Provisions" risks are reason enough to reject Proposition 39.

However, Proposition 39 is also misleading. It says it's about schools. Actually it's about your home and your taxes.

What Proposition 39 does:

1. Permits local bond passage with 55% votes instead of the current two-thirds vote requirement. There is NO LIMIT on how much property taxes can eventually increase with passage of 55% bonds.

2. Ends our Constitution's 121 year old provision requiring a two-thirds vote on local bonds. These bonds put liens on your home, usually for 30 years. Tax collectors foreclose if homeowners cannot pay. Prior to voter approved property tax limitations in 1978, excessive taxes often forced home sales.

3. Proposition 39 bonds increase apartment taxes. Landlords may increase rents to pay these taxes.

4. Proposition 39 bonds require taxpayers in the poorest districts to pay tax rates about twenty times higher (and taxpayers in typical districts to pay about five times higher) than taxpayers in the richest districts to raise the same amount per student.

What Proposition 39 DOES NOT do:

1. DOES NOT require student performance improvements.
2. DOES NOT require parental or taxpayer oversight.

Campaign:

Proposition 39's wealthy promoters reportedly pledged \$30 million. We cannot match their money. But, we outnumber them, so we can win. Pledge your help now. Visit saveourhomes.com or call (toll-free) 1-866-VOTE39NO (1-866-868-3396).

55% risks:

In 1978, property taxes were 2.6 times higher. Could history repeat? Could property taxes return to twice, even three times today's levels? Once started, 55% bonds won't stop here. Every government agency will demand 55%. PROPOSITION 39 PROVIDES NO TAX LIMITS. So, yes, 55% could lead to further actions which eventually double, even triple, property taxes.

Conclusion:

Don't risk the "Special Provisions" without voter control.

Don't risk unlimited property tax increases.

Don't risk starting 55% bonds for all government agencies.

Don't risk new 30 year homeowner liens.

Don't risk higher rents.

Don't encourage putting the highest tax rates on the poorest districts.

And, don't give up our Constitution's two-thirds vote requirement to increase property taxes.

Help Save Our Homes. Please VOTE NO ON PROPOSITION 39.

JON COUPAL, *Chairman*

*Save Our Homes Committee, Vote No on Proposition 39,
a Project of the Howard Jarvis Taxpayers Association*

DEAN ANDAL, *Chairman*

Board of Equalization, State of California

FELICIA ELKINSON, *Past President*

Council of Sacramento Senior Organizations

Rebuttal to Argument Against Proposition 39

Strong accountability and taxpayer protections in 39 and the "special provisions" opponents criticize will:

- Limit how much property taxes can be raised by a local school bond.

- Prohibit using funds for administration or bureaucracy.

- Require citizen watchdog committees.

- Prohibit special elections for enacting these bonds.

NONE OF THESE REFORMS WILL BECOME LAW UNLESS WE PASS PROPOSITION 39!

That's why the California Chamber of Commerce, California Organization of Police and Sheriffs, League of Women Voters of California, California Hispanic Chamber of Commerce, California Professional Firefighters, Consumer Federation of California and 200 other community organizations and leaders support 39.

OPPONENTS OF 39 WANT YOU TO BELIEVE ALL THESE RESPECTED GROUPS ARE LYING. BUT WHO'S REALLY LYING?

"Shame on the Jarvis political committee. They can't make their case with facts so they resort to scare tactics, fear-mongering and misleading statements."

AARP California State President Jacqueline N. Antee

"Contrary to the Jarvis group, passage of Proposition 39 *doesn't* raise property taxes, *doesn't* put a lien on your home and *doesn't* increase rents. Local voters have the final say in passing school bonds through a tough 55% super-majority vote."

California State PTA President Lavonne McBroom

By voting YES on 39, we can:

- Build new classrooms, repair older ones and reduce class size.

- Cut waste and abuses that have taken place in some districts.

- Assure that our children and grandchildren have safe schools in which to learn and prepare for the future.

YES on Proposition 39: fix the way schools spend money AND fix our schools.

ANDREW YSIANO, *Immediate Past President*

California Hispanic Chamber of Commerce

WILLIAM HAUCK, *Chairman*

California Business for Education Excellence

DAN TERRY, *President*

California Professional Firefighters